

# County of Monterey

*Cinnamon Room  
1441 Schilling Place  
Salinas, Ca 93901*



## Meeting Agenda

**Friday, May 2, 2025**

**8:30 AM**

**Cinnamon Room 1441 Schilling Place, Salinas, Ca 93901**

## **Water Resources Agency Finance Committee**

*John Baillie  
Mark Gonzalez  
Mike LeBarre  
Matthew Simis*

To participate in this Finance Committee meeting through the following methods:

1. You may attend in person,
2. For ZOOM participation please join by computer audio at:  
<https://montereycty.zoom.us/j/92403510520>  
OR to participate by phone call any of these numbers below:  
+1 669 900 6833 US (San Jose)  
+1 346 248 7799 US (Houston)  
+1 312 626 6799 US (Chicago)  
+1 929 205 6099 US (New York)  
+1 253 215 8782 US  
+1 301 715 8592 US

Enter this Meeting ID number: 924 0351 0520 PASSWORD: 404237 when prompted. Please note there is no Participant Code, you will just hit # again after the recording prompts you. You will be placed in the meeting as an attendee; when you are ready to make a public comment, if joined by computer audio, please Raise your Hand; and by phone, please push \*9 on your keypad.

**PLEASE NOTE: IF ALL COMMITTEE MEMBERS ARE PRESENT IN PERSON, PUBLIC PARTICIPATION BY ZOOM IS FOR CONVENIENCE ONLY AND IS NOT REQUIRED BY LAW. IF THE ZOOM FEED IS LOST FOR ANY REASON, THE FINANCE COMMITTEE MEETING MAY BE PAUSED WHILE A FIX IS ATTEMPTED BUT THE FINANCE COMMITTEE MEETING MAY CONTINUE AT THE DISCRETION OF THE CHAIRPERSON.**

3. If you wish to comment on a specific agenda item while the matter is being heard, you may participate by the following means: When the Chair calls for public comment on an agenda item, the Zoom Meeting Host, or his or her designee, will first ascertain who wants to comment (among those who are in the meeting electronically or telephonically) and will then call on speakers and un mute their device one at a time. Public speakers may be broadcast in audio form only.
4. If you wish to comment on a particular agenda item, please submit your comments in writing via email to Monterey County Water Resources Agency at [WRAPubliccomment@countyofmonterey.gov](mailto:WRAPubliccomment@countyofmonterey.gov) by 5:00 p.m. on the Thursday prior to the Committee meeting. To assist Agency staff in identifying the agenda item to which the comment relates please indicate the Finance Committee meeting date and agenda number in the subject line. Comments received by the 5:00 p.m. Thursday deadline will be distributed to the Committee and will be placed in the record.
5. If you wish to make either a general public comment for items not on the day's agenda or to comment on a specific agenda item as it is being heard, please submit your comment, limited to 250 words or less, to the Monterey County Water Resources Agency at

WRAPubliccomment@countyofmonterey.gov. In an effort to assist Agency staff in identifying the agenda item relating to your public comment please indicate in the subject line, the meeting body (i.e. Finance Committee) and item number (i.e. Item No. 10). Every effort will be made to read your comment into the record, but some comments may not be read due to time limitations. Comments received after an agenda item will be made part of the record if received prior to the end of the meeting.

6. If speakers or other members of the public have documents they wish to distribute to the Committee for an agenda item, they are encouraged to submit such documents by 5:00 p.m. on Thursday before the meeting to: WRAPubliccomment@countyofmonterey.gov. To assist Agency staff in identifying the agenda item to which the comment relates, the public is requested to indicate the Finance Committee date and agenda number in the subject line.

7. If members of the public want to present documents/Power Point presentations while speaking, they should submit the document electronically by 5:00 p.m. on Thursday before the meeting at WRAPubliccomment@countyofmonterey.gov.. (If submitted after that deadline, staff will make best efforts, but cannot guarantee, to make it available to present during the Committee meeting.)

8. Individuals with disabilities who desire to request a reasonable accommodation or modification to observe or participate in the meeting may make such request by sending an email to WRAPubliccomment@countyofmonterey.gov. The request should be made no later than noon on the Thursday prior to the Committee meeting in order to provide time for the Agency to address the request.

9. The Chair and/or Secretary may set reasonable rules as needed to conduct the meeting in an orderly manner.

Participar en esta reunión del Comité de Finanzas a través de los siguientes métodos:

1. Puede asistir en persona,

2. El público puede observar la reunión ZOOM a través de computadora haciendo clic en el siguiente enlace: <https://montereycty.zoom.us/j/92403510520>

O el público puede escuchar a través del teléfono llamando al:

+1 669 900 6833 US (San Jose)

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924 0351 0520 PASSWORD: 404237 . Tenga en cuenta que no hay un Código de participante, simplemente presionará # nuevamente después de que la grabación lo solicite. Se le colocará en la reunión como asistente; cuando esté listo para hacer un comentario público si se une al audio de la computadora, levante la mano; y por teléfono presione \* 9 en su teclado.

**TENGA EN CUENTA: SI TODOS MIEMBROS DEL COMITÉ DE FINANZAS DE LA JUNTA ESTÁN PRESENTES EN PERSONA, LA PARTICIPACIÓN PÚBLICA DE ZOOM ES SOLO POR CONVENIENCIA Y NO ES REQUERIDA POR LA LEY. SI LA TRANSMISIÓN DE ZOOM SE PIERDE POR CUALQUIER MOTIVO, LA REUNIÓN PUEDE PAUSARSE MIENTRAS SE INTENTA UNA SOLUCIÓN, PERO LA REUNIÓN DEL COMITE DE FINANZAS PUEDE CONTINUAR A DISCRECIÓN DEL PRESIDENTE.**

3. Los miembros del público que desean comentar en un artículo específico de la agenda, mientras que el artículo se este presentando durante la reunión, pueden participar por cualquiera de los siguientes medios: Cuando el Presidente del Comité solicite comentarios públicos sobre un artículo de la agenda, el anfitrión de la reunión Zoom o su designado, primero determinará quién quiere testificar (entre los que están en la reunión por vía electrónica o telefónica) y luego llamará a los oradores (speakers) y activará la bocina para el orador, uno a la vez. Todo orador, será transmitido por audio en altavoz solamente.

4. Si un miembro del público desea comentar sobre un artículo de la agenda en particular, se le es sumamente recomendable que envíe sus comentarios por escrito por correo electrónico a la Agencia de Administración de Recursos del Agua (Agencia) a [WRAPublicComment@countyofmonterey.gov](mailto:WRAPublicComment@countyofmonterey.gov). antes de las 5:00 P. M. el Jueves antes de la reunión del Comité. Para ayudar al personal de la Agencia a identificar el número del artículo de la agenda con el cual se relaciona el comentario, se solicita al público que indique la fecha de la reunión del Comité y el número del artículo de la agenda en la línea de asunto. Comentarios recibidos en la fecha limite del Jueves a las 5 P.M, serán distribuidos al Comité y serán colocados en el registro.

5. Los miembros del público que deseen hacer un comentario público general para temas que no están en la agenda del día o que deseen comentar en un artículo específico mientras se escucha la presentación, lo pueden hacer enviando un comentario por correo electrónico, preferiblemente limitado a 250 palabras o menos, a [WRAPublicComment@countyofmonterey.gov](mailto:WRAPublicComment@countyofmonterey.gov). Para ayudar al personal de la Agencia a identificar el artículo de la agenda con el cual se relaciona el comentario, se solicita al público que indique el nombre del Comité (por ejemplo: Comité de Finanzas) y el número del artículo de la agenda (por ejemplo: Artículo # 10). Se hará todo lo posible para leer el comentario en el registro, pero algunos comentarios pueden no leerse en voz alta debido a limitaciones de tiempo. Los comentarios recibidos después del cierre del período de comentarios públicos sobre un artículo de la agenda serán parte del registro si se reciben antes que termine la reunión del Comité.

6. Si los oradores u otros miembros del público tienen documentos que desean distribuir al Comité



para un artículo de la agenda, se les recomienda enviar dichos documentos antes de las 5:00 P.M. el Jueves antes de la reunión a: [WRAPubliccomment@countyofmonterey.gov](mailto:WRAPubliccomment@countyofmonterey.gov). Para ayudar al personal de la Agencia a identificar el número del artículo de la agenda con el cual se relaciona el comentario, se solicita al público que indique la fecha de la reunion del Comité y el número de agenda en la línea de asunto.

7. Si los miembros del público desean presentar documentos o presentaciones de PowerPoint mientras hablan, deben enviar el documento electrónicamente antes de las 5:00 P.M. del Jueves antes de la reunión a [WRAPubliccomment@countyofmonterey.gov](mailto:WRAPubliccomment@countyofmonterey.gov) (Si se presenta después de ese plazo, el personal hará los mejores esfuerzos, pero no puede garantizar que esté disponible su PowerPoint para presentar durante la reunión del Comité).

8. Las personas con discapacidades que deseen solicitar una modificación o modificación razonable para observar o participar en la reunión pueden realizar dicha solicitud enviando un correo electrónico a [WRAPubliccomment@countyofmonterey.gov](mailto:WRAPubliccomment@countyofmonterey.gov). La solicitud debe hacerse a más tardar el mediodía del Jueves antes de a la reunión del Comité para dar tiempo a la Agencia para que atienda la solicitud .

9. El Presidente y / o Secretario pueden establecer reglas razonables según sea necesario para llevar a cabo la reunión de manera ordenada.

#### Call to Order

#### Roll Call

#### Public Comment

#### Committee Member Comments

#### Consent Calendar

1. Approve the Minutes of the Finance Committee meeting on April 4, 2025.

Attachments: [draft Finance Minutes April 4, 2025](#)

#### Presentations

2. Monterey One Water YTD expenses thru February 2025.  
(Staff Presenting: Lawrence Chiu/Cheri Freese of Monterey One Water)

Attachments: [M1W YTD expenses thru 2025.02](#)

#### Scheduled Items

3. Consider recommending that the Board of Directors of the Monterey County Water

Resources Agency approve Amendment No.2 to the agreement for Professional Services with FISHBIO, to extend the term length by three years to June 30, 2028, for Smolt Outmigration Monitoring, Adult Upstream Migration, Index- Reach Survey, Index Passive Integrated Transponder (PIT) Tagging, Index Lagoon Monitoring, and on-call services; and authorize the General Manager to execute the amendment.

**Attachments:** [Board Report](#)

[Att1 FISHBIO](#)

[Att2 Amendment No. 1 FISHBIO](#)

[Att3 Amendment No. 2 - FISHBIO](#)

4. Consider receiving the Feb 2025 Financials for All Agency Funds. (Staff Presenting: Nora Cervantes)

**Attachments:** [FY25 BoD Monthly Reports](#)

5. Consider receiving a summary report to recommend that the Monterey County Water Resources Agency Board of Directors:
- a. consider approving 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. consider requesting the Chair of the Monterey County Water Resources Agency Board of Supervisors to execute the Amendment. (Staff Presenting: Shaunna Murray)

**Attachments:** [Board Report](#)

[Agreement & Amendments](#)

[GPP Audit Report](#)

### **Status Reports**

6. Fiscal Year 2024-2025 Hydroelectric Revenue Summary. (Staff Presenting; Nora Cervantes)

**Attachments:** [FY24-25 Hydro Revenue](#)

### **Calendar**

7. Set next meeting date and discuss future agenda items.

### **Adjournment**



# County of Monterey

## Item No.1

### Board Report

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

**Legistar File Number: WRAFIN 25-042**

**May 02, 2025**

**Introduced:** 4/24/2025

**Current Status:** Agenda Ready

**Version:** 1

**Matter Type:** WRA Finance Item

Approve the Minutes of the Finance Committee meeting on April 4, 2025.

# **County of Monterey**

*Saffron Room  
1441 Schilling Place  
Salinas, Ca 93901*



## **Meeting Minutes**

**Friday, April 4, 2025**

**8:30 AM**

**Director Mike LeBarre will be appearing remotely from City Hall 212 S.  
Vanderhurst Ave, King City, Ca 93930**

**Saffron Room 1441 Schilling Place, Salinas, Ca 93901**

### **Water Resources Agency Finance Committee**

*John Baillie  
Mark Gonzalez  
Mike LeBarre  
Matthew Simis*

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5. Los miembros del público que deseen hacer un comentario público general para temas que no están en la agenda del día o que deseen comentar en un artículo específico mientras se

escucha la presentación, lo pueden hacer enviando un comentario por correo electrónico, preferiblemente limitado a 250 palabras o menos, a [WRAPubliccomment@countyofmonterey.gov](mailto:WRAPubliccomment@countyofmonterey.gov). Para ayudar al personal de la Agencia a identificar el artículo de la agenda con el cual se relaciona el comentario, se solicita al público que indique el nombre del Comité (por ejemplo: Comité de Finanzas) y el número del artículo de la agenda (por ejemplo: Artículo # 10). Se hará todo lo posible para leer el comentario en el registro, pero algunos comentarios pueden no leerse en voz alta debido a limitaciones de tiempo. Los comentarios recibidos después del cierre del período de comentarios públicos sobre un artículo de la agenda serán parte del registro si se reciben antes que termine la reunión del Comité.

6. Si los oradores u otros miembros del público tienen documentos que desean distribuir al Comité para un artículo de la agenda, se les recomienda enviar dichos documentos antes de las 5:00 P.M. el Jueves antes de la reunión a: [WRAPubliccomment@countyofmonterey.gov](mailto:WRAPubliccomment@countyofmonterey.gov). Para ayudar al personal de la Agencia a identificar el número del artículo de la agenda con el cual se relaciona el comentario, se solicita al público que indique la fecha de la reunion del Comité y el número de agenda en la línea de asunto.

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9. El Presidente y / o Secretario pueden establecer reglas razonables según sea necesario para llevar a cabo la reunión de manera ordenada.

#### Call to Order

The meeting was called to order at 8:30 a.m.

#### Roll Call

Present: John Baillie, Mark Gonzalez, Mike LeBarre (left meeting at 10am), Matthew Simis (arrived at 8:31 a.m)

Absent: None



**Public Comment**

None

**Committee Member Comments**

None

**Consent Calendar**

Upon the Motion by Mike LeBarre, Second by Mark Gonzalez the committee approved the Consent Calendar of the Finance Committee meeting.

Ayes: John Baillie, Mark Gonzales, Mike LeBarre, Matthew Simis

Noes: None

Abstained: None

Absent: None

1. Approve the Minutes of the Finance Committee meeting on March 7, 2025.

**Attachments:**     [draft Finance Minutes March 7, 2025](#)

**Scheduled Items**

2. Consider recommending that the Monterey County Water Resources Board of Directors approve Amendment No. 3 to the Professional Services Agreement with AECOM Technical Services, Inc., to increase the dollar amount by \$225,000 for a total contract amount not-to-exceed \$564,356 and extend the term of the Agreement to June 30, 2028, to provide annual safety surveillance and performance evaluation of San Antonio Dam; and authorize the General Manager to execute the Amendment. (Staff Presenting: Manuel Saavedra)

**Attachments:**     [Board Report](#)

[AECOM Amd No. 3](#)

Upon Motion by Matthew Simis, Second by Mark Gonzalez the committee recommended that the Monterey County Water Resources Board of Directors approve Amendment No. 3 to the Professional Services Agreement with AECOM Technical Services, Inc., to increase the dollar amount by \$225,000 for a total contract amount not-to-exceed \$564,356 and extend the term of the Agreement to June 30, 2028, to provide annual safety surveillance and performance evaluation of San Antonio Dam; and authorize the General Manager to execute the Amendment.

Ayes: John Baillie, Mark Gonzalez, Mike LeBarre, Matthew Simis

Noes: None

Abstained: None

Absent: None

Committee Member Comments: John Baillie, Mark Gonzalez

Staff Comments: None

Public Comments: None

3. Consider recommending that the Monterey County Water Resources Agency Board of Directors consider recommending that the Monterey County Water Resources Agency Board of Supervisors approve and adopt the Fiscal Year (FY) 2025-26 Groundwater Monitoring Program Regulatory Fees of \$160.19 per well for Initial Well Registration, \$21.90 per well for Annual Well Registration Renewal, \$64.82 per well for Groundwater Extraction Monitoring, \$117.63 per well for Groundwater Level Monitoring, and \$73.90 per well for Groundwater Quality Monitoring. (Staff Presenting: Amy Woodrow)

**Attachments:**     [Board Report](#)  
                              [Draft GMP Fee Study](#)  
                              [Map of FY 2025-2026 GMP Regulatory Fee Area](#)  
                              [Summary Table of FY 2025-2026 GMP Regulatory Fees](#)

**Upon Motion by Mike LeBarre, Second by Mark Gonzalez the committee recommended that the Monterey County Water Resources Agency Board of Directors consider recommending that the Monterey County Water Resources Agency Board of Supervisors approve and adopt the Fiscal Year (FY) 2025-26 Groundwater Monitoring Program Regulatory Fees of \$160.19 per well for Initial Well Registration, \$21.90 per well for Annual Well Registration Renewal, \$64.82 per well for Groundwater Extraction Monitoring, \$117.63 per well for Groundwater Level Monitoring, and \$73.90 per well for Groundwater Quality Monitoring.**

**Ayes:** Mark Gonzalez, Mike LeBarre, Matthew Simis  
**Noes:** John Baillie  
**Abstained:** None  
**Absent:** None

**Committee Member Comments:** Matthew Simis, Mark Gonzalez, John Baillie  
**Staff Comments:** Amy Woodrow  
**Public Comments:** None

4. Consider recommending that the Monterey County Water Resources Agency Board of Directors recommend the Monterey County Water Resources Agency Board of Supervisors:
- a. Approve and adopt the Fiscal Year (FY) 2026 cost-of-living adjustment (COLA) increase of 2.7% to the assessment charges of Zones 1, 1A, 2B, 2C, 2Y, 2Z, 8, 9, 12, and 17; and
  - b. Approve and adopt a FY26 COLA increase of 2.7% to the Zone 2B water service charge for the Salinas River Diversion Facility Project; and
  - c. Set and hold a public hearing on May 28, 2025, at 9:00 a.m. to consider approving and adopting the assessment rate charges; and
  - d. Direct the Clerk of the Board of Supervisors to publish a hearing notice once a week for two consecutive weeks prior to the date set for the hearing. (Staff Presenting: Nan Kim)

**Attachments:**     [Board Report](#)  
[Summary FY26 WRA Assessment charges & fees](#)  
[Notices of Public Hearing for Flood Zones](#)  
[Notices of Public Hearing for Zone 2C](#)  
[Notice of Public Hearing Zones 2BYZ WDF](#)  
[FY26 WRA Assessments PPT](#)

Upon Motion by Matthew Simis, Second by Mark Gonzalez the committee recommended that the Monterey County Water Resources Agency Board of Directors recommend the Monterey County Water Resources Agency Board of Supervisors:

- a. Approve and adopt the Fiscal Year (FY) 2026 cost-of-living adjustment (COLA) increase of 2.7% to the assessment charges of Zones 1, 1A, 2B, 2C, 2Y, 2Z, 8, 9, 12, and 17; and
- b. Approve and adopt a FY26 COLA increase of 2.7% to the Zone 2B water service charge for the Salinas River Diversion Facility Project; and
- c. Set and hold a public hearing on May 28, 2025, at 9:00 a.m. to consider approving and adopting the assessment rate charges; and
- d. Direct the Clerk of the Board of Supervisors to publish a hearing notice once a week for two consecutive weeks prior to the date set for the hearing.

Ayes: John Baillie, Mark Gonzalez, Mike LeBarre, Matthew Simis

Noes: None

Abstained: None

Absent: None

Committee Member Comment: John Baillie, Matthew Simis

Staff Comment: None

Public Comment: None

5. Consider recommending that the Monterey County Water Resources Agency Board of Directors hold a public hearing to consider recommending the Monterey County Water Resources Agency Board of Supervisors to:
- a. Approve and adopt the Fiscal Year 2025-26 (FY26) Zone 2B Water Delivery charge of \$85.24 per acre-foot (AF) of water delivered for Zone 2B for the Castroville Seawater Intrusion Project (CSIP) and the Salinas Valley Reclamation Project (SVRP); and
  - b. Notice and hold a public hearing on May 28, 2025, at 9:00 a.m. to consider approving and adopting the rate change; and
  - c. Direct the Clerk of the Board of Supervisors to publish a hearing notice once a week for two consecutive weeks prior to the date set for the public hearing by Board of Supervisors.
- (Staff Presenting: Peter Vannerus and Ara Azhderian)

**Attachments:**     [Board Report](#)  
[Notice of Public Hearing at the Agency Board of Directors](#)  
[Notice of Public Hearing at the Agency Board of Supervisors](#)

Upon Motion by Mark Gonzalez, Second by Matthew Simis the committee recommended that the Monterey County Water Resources Agency Board of Directors hold a public hearing to consider recommending the Monterey County Water Resources Agency Board of Supervisors to:

- a. Approve and adopt the Fiscal Year 2025-26 (FY26) Zone 2B Water Delivery charge of \$85.24 per acre-foot (AF) of water delivered for Zone 2B for the Castroville Seawater Intrusion Project (CSIP)

and the Salinas Valley Reclamation Project (SVRP); and

b. Notice and hold a public hearing on May 28, 2025, at 9:00 a.m. to consider approving and adopting the rate change; and

c. Direct the Clerk of the Board of Supervisors to publish a hearing notice once a week for two consecutive weeks prior to the date set for the public hearing by Board of Supervisors.

**Ayes:** John Baillie, Mark Gonzalez, Mike LeBarre, Matthew Simis

**Noes:** None

**Abstained:** None

**Absent:** None

**Committee Member Comments:** Matthew Simis, John Baillie, Mark Gonzalez

**Staff Comments:** Shaunna Murray, Ara Azhderian

**Public Comment:** Christopher Bunn

6. Consider recommending that the Monterey County Water Resources Agency Board of Directors recommend the Monterey County Water Resources Agency Board of Supervisors approve the Monterey County Water Resources Agency Fiscal Year (FY) 2025-26 Recommended Budget. (Staff Presenting: Nan Kim)

**Attachments:**     [Board Report](#)  
                              [WRA FY26 Recommended Budget Book](#)  
                              [Resolution](#)  
                              [WRA FY26 Budget PPT](#)

Upon Motion by Matthew Simis, Second by Mark Gonzalez the committee recommended that the Monterey County Water Resources Agency Board of Directors recommend the Monterey County Water Resources Agency Board of Supervisors approve the Monterey County Water Resources Agency Fiscal Year (FY) 2025-26 Recommended Budget.

**Ayes:** John Baillie, Mark Gonzalez, Matthew Simis

**Noes:** None

**Abstained:** None

**Absent:** Mike LeBarre

**Committee Member Comments:** John Baillie, Matthew Simis, Mark Gonzalez

**Staff Comments:** Shaunna Murray, Nan Kim

**Public Comment:** None

7. Consider recommending that the Board of Directors of the Monterey County Water Resources Agency recommend that the Board of Supervisors of the Monterey County Water Resources Agency:
- a. Approve and authorize the General Manager of the Water Resources Agency to accept donation of monitoring wells 180/400-GDE-1 valued at \$52,797; E-DA-2 valued at \$282,739; L-GWL-2 valued at \$109,355; L-GWL-6 valued at \$109,355; UV-GWL-1 valued at \$81,540; and UV-ISW-1 valued at \$63,923 from the Salinas Valley Basin Groundwater Sustainability Agency;
  - b. Authorize the General Manager of the Water Resources Agency to enter into Agreements to Convey Ownership in Monitoring Wells 180/400-GDE-1, E-DA-2, L-GWL-2, L-GWL-6, UV-GWL-1, and UV-ISW-1; and

- c. Authorize the Water Resources Agency to use monitoring wells 180/400-GDE-1, E-DA-2, L-GWL-2, L-GWL-6, UV-GWL-1, and UV-ISW-1 for implementation of its Groundwater Monitoring Program.

(Staff Presenting: Amy Woodrow)

**Attachments:**     [Board Report](#)  
                              [Well Location Maps](#)  
                              [Well Completion Reports](#)  
                              [Well Agreements](#)

Upon Motion by Matthew Simis, Second by Mark Gonzalez recommended that the Board of Directors of the Monterey County Water Resources Agency recommend that the Board of Supervisors of the Monterey County Water Resources Agency:

- a. Approve and authorize the General Manager of the Water Resources Agency to accept donation of monitoring wells 180/400-GDE-1 valued at \$52,797; E-DA-2 valued at \$282,739; L-GWL-2 valued at \$109,355; L-GWL-6 valued at \$109,355; UV-GWL-1 valued at \$81,540; and UV-ISW-1 valued at \$63,923 from the Salinas Valley Basin Groundwater Sustainability Agency;
- b. Authorize the General Manager of the Water Resources Agency to enter into Agreements to Convey Ownership in Monitoring Wells 180/400-GDE-1, E-DA-2, L-GWL-2, L-GWL-6, UV-GWL-1, and UV-ISW-1; and
- c. Authorize the Water Resources Agency to use monitoring wells 180/400-GDE-1, E-DA-2, L-GWL-2, L-GWL-6, UV-GWL-1, and UV-ISW-1 for implementation of its Groundwater Monitoring Program.

**Ayes:** John Baillie, Mark Gonzalez, Matthew Simis

**Noes:** None

**Abstained:** None

**Absent:** Mike LeBarre

**Committee Member Comments:** Matthew Simis, John Baillie, Mark Gonzalez

**Staff Comments:** Ara Azhderian, Amy Woodrow, Shaunna Murray

**Public Comments:** None

8. Consider receiving the FY2024-25 February 2025 Financials for All Agency Funds. (Staff Presenting: Nora Cervantes)

**Attachments:**     [FY25 BoD Monthly Reports](#)

Upon Motion by Matthew Simis, Second by Mark Gonzalez the committee received the FY2024-25 February 2025 Financials for All Agency Funds.

**Ayes:** John Baillie, Mark Gonzalez, Matthew Simis

**Noes:** None

**Abstained:** None

**Absent:** Mike LeBarre

**Committee Member Comments:** John Baillie, Matthew Simis, Mark Gonzalez

**Staff Comments:** Nan Kim

**Public Comments:** None

**Status Reports**

9. Fiscal Year 2024-2025 Hydroelectric Revenue Summary.  
(Staff Presenting: Nora Cervantes)

**Attachments:**     [FY24-25 Hydro Revenue](#)

**Committee Member Comments:** John Baillie

**Staff Comments:** None

**Public Comments:** None

10. Monterey One Financials. (Staff Presenting: Lawrence Chiu of Monterey One Water)

**Attachments:**     [M1W YTD expenses thru 2025 01 final](#)

**Committee Member Comments:** John Baillie, Matthew Simis

**Staff Comments:** None

**Public Comments:** None

**Calendar**

11. Set next meeting date and discuss future agenda items.

**The meeting adjourned at 10:51 a.m.**

**Adjournment**



# County of Monterey

## Item No.2

### Board Report

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

**Legistar File Number: WRAFIN 25-043**

**May 02, 2025**

**Introduced:** 4/24/2025

**Current Status:** Agenda Ready

**Version:** 1

**Matter Type:** WRA Finance Item

Monterey One Water YTD expenses thru February 2025.

(Staff Presenting: Lawrence Chiu/Cheri Freese of Monterey One Water)

**Monterey Regional Water Pollution Control Agency**  
**SVRP Expenditure Report**  
**Month Ending February 2025**

Account Description	Feb Expended	YTD Expended	YTD Encumbered	YTD Total	Annual Budget	% Used	FY25 Estimated Amount	Estimated Budget Variance
Salaries, Wages & Bens	93,184	786,157	0	786,157	835,380	94%	1,117,515	(282,135)
Office Expenses	1,913	2,403	0	2,403	3,650	66%	4,450	(800)
Information Systems Expenses	0	2,962	0	2,962	2,900	102%	40,000	(37,100)
Professional Services	25,086	67,693	22,934	90,627	86,000	105%	49,000	37,000
Operating Supplies	1,392	20,123	(42)	20,080	56,850	35%	56,850	0
Contract Services	5,919	8,990	0	8,990	29,500	30%	30,800	(1,300)
Chemicals	44,028	953,800	0	953,800	1,782,500	54%	1,747,500	35,000
Utilities	54,672	388,294	0	388,294	808,600	48%	713,600	95,000
Repairs & Maintenance	57,022	149,584	26,826	176,410	423,810	42%	420,810	3,000
Equipment Replacement	0	0	0	0	0	0%	0	0
Indirect Costs *	31,425	251,402	0	251,402	377,103	67%	377,103	0
Capital Outlay	0	21,544	9,811	31,354	690,000	5%	0	690,000
<b>Total Expenditures</b>	<b>314,641</b>	<b>2,652,951</b>	<b>59,528</b>	<b>2,712,479</b>	<b>5,096,293</b>	<b>53%</b>	<b>4,557,628</b>	<b>538,665</b>
State Reserve Funds	0	0	0	0	0	0%	0	0
Bureau of Reclamation Loan Payment	0	0	0	0	1,040,000	0%	1,040,000	0
<b>Grand Total Reclamation Plant</b>	<b>314,641</b>	<b>2,652,951</b>	<b>59,528</b>	<b>2,712,479</b>	<b>6,136,293</b>	<b>44%</b>	<b>2,712,479</b>	<b>3,423,814</b>



## Expenditure Status Report

MONTEREY ONE WATER  
2/1/2025 through 2/28/2025

04 SVRP Fund

050 RECLAMATION TERTIARY PLANT O&M

<u>Account Number</u>	<u>Adjusted Appropriation</u>	<u>Expenditures</u>	<u>Year-to-date Expenditures</u>	<u>Year-to-date Encumbrances</u>	<u>Balance</u>	<u>Prct Used</u>
5000 SALARIES AND WAGE EXPENSE						
5010-00 REGULAR WAGES-RECLAMATION	16,355.29	0.00	16,355.29	0.00	0.00	100.00
5012-00 WAGES & BENEF.FROM DEPTS.	809,843.69	93,184.11	762,660.77	0.00	47,182.92	94.17
5020-00 OVERTIME	57.46	0.00	57.46	0.00	0.00	100.00
5050-00 VACATION AND COMP	1,224.49	0.00	1,224.49	0.00	0.00	100.00
<b>Total SALARIES AND WAGE EXPENSE</b>	<b>827,480.93</b>	<b>93,184.11</b>	<b>780,298.01</b>	<b>0.00</b>	<b>47,182.92</b>	<b>94.30</b>
5100 EMPLOYEE BENEFITS						
5110-00 DISABILITY & LIFE INSURANCE	69.96	0.00	69.96	0.00	0.00	100.00
5120-00 HEALTH INSURANCE	2,829.21	0.00	2,829.21	0.00	0.00	100.00
5130-00 STATE COMPENSATION INSURANCE	737.01	0.00	737.01	0.00	0.00	100.00
5140-00 PERS - RETIREMENT	1,454.69	0.00	1,454.69	0.00	0.00	100.00
5150-00 MEDICARE TAX BENEFIT	508.20	0.00	508.20	0.00	0.00	100.00
<b>Total EMPLOYEE BENEFITS</b>	<b>5,599.07</b>	<b>0.00</b>	<b>5,599.07</b>	<b>0.00</b>	<b>0.00</b>	<b>100.00</b>
5200 EMPLOYEE OTHER BENEFITS						
5225-00 TRAINING	500.00	0.00	250.00	0.00	250.00	50.00
5230-00 CERTIFICATION FEES	600.00	0.00	0.00	0.00	600.00	0.00
5235-00 CONFERENCE/MEETINGS & TRAVEL	1,200.00	0.00	10.25	0.00	1,189.75	0.85
<b>Total EMPLOYEE OTHER BENEFITS</b>	<b>2,300.00</b>	<b>0.00</b>	<b>260.25</b>	<b>0.00</b>	<b>2,039.75</b>	<b>11.32</b>
6000 OFFICE EXPENSE						
6010-00 OFFICE SUPPLIES	200.00	78.53	78.53	0.00	121.47	39.27
6025-00 PRINTING AND DUPLICATING	200.00	919.64	919.64	0.00	-719.64	459.82
6045-00 MEMBERSHIP DUES & PUBLICATIONS	250.00	0.00	0.00	0.00	250.00	0.00
6050-00 POSTAGE AND DELIVERY SERVICE	2,500.00	914.90	1,404.88	0.00	1,095.12	56.20
6060-00 OFFICE FURNISHINGS	500.00	0.00	0.00	0.00	500.00	0.00
<b>Total OFFICE EXPENSE</b>	<b>3,650.00</b>	<b>1,913.07</b>	<b>2,403.05</b>	<b>0.00</b>	<b>1,246.95</b>	<b>65.84</b>
6100 INFORMATION SYSTEMS EXPENSE						

## Expenditure Status Report

MONTEREY ONE WATER  
2/1/2025 through 2/28/2025

04 SVRP Fund

050 RECLAMATION TERTIARY PLANT O&M

<i>Account Number</i>	<i>Adjusted Appropriation</i>	<i>Expenditures</i>	<i>Year-to-date Expenditures</i>	<i>Year-to-date Encumbrances</i>	<i>Balance</i>	<i>Prct Used</i>
6170-00 MISC SUPPORT SERVICES	2,900.00	0.00	2,962.31	0.00	-62.31	102.15
<b>Total</b> INFORMATION SYSTEMS EXPENSE	2,900.00	0.00	2,962.31	0.00	-62.31	102.15
6200 PROFESSIONAL SERVICES						
6231-00 OUTSIDE CONTRACT WORK	59,000.00	16,437.97	50,466.21	5,515.00	3,018.79	94.88
6238-00 TECHNICAL SUPPORT	35,000.00	8,647.59	17,226.93	17,418.66	354.41	98.99
6260-00 LEGAL SERVICES	5,000.00	0.00	0.00	0.00	5,000.00	0.00
<b>Total</b> PROFESSIONAL SERVICES	99,000.00	25,085.56	67,693.14	22,933.66	8,373.20	91.54
7000 OPERATING SUPPLIES						
7005-00 BACTERIOLOGICAL SUPPLIES	5,250.00	0.00	2,703.38	0.00	2,546.62	51.49
7025-00 LAB CHEMICAL SUPPLIES	12,000.00	137.76	10,902.86	0.00	1,097.14	90.86
7030-00 GENERAL LAB SUPPLIES	3,500.00	1,009.61	1,972.11	-42.16	1,570.05	55.14
7035-00 HOSES	6,000.00	0.00	0.00	0.00	6,000.00	0.00
7040-00 OIL AND GREASE SUPPLIES	1,000.00	0.00	132.62	0.00	867.38	13.26
7050-00 PAINT AND PAINT SUPPLIES	250.00	0.00	0.00	0.00	250.00	0.00
7055-00 PROTECTIVE CLOTHING	350.00	0.00	0.00	0.00	350.00	0.00
7062-00 FILTER MEDIA	5,000.00	0.00	0.00	0.00	5,000.00	0.00
7065-00 SAFETY SUPPLIES	2,500.00	0.00	715.10	0.00	1,784.90	28.60
7070-00 SMALL SHOP TOOLS	500.00	94.26	197.24	0.00	302.76	39.45
7071-00 TOOLS \$250 < \$2499	500.00	0.00	0.00	0.00	500.00	0.00
7090-00 GENERAL OPERATING SUPPLIES	20,000.00	150.20	3,499.23	0.00	16,500.77	17.50
<b>Total</b> OPERATING SUPPLIES	56,850.00	1,391.83	20,122.54	-42.16	36,769.62	35.32
7200 CONTRACT SERVICES						
7210-00 LABORATORY ANALYSIS SERVICE	12,000.00	0.00	165.55	0.00	11,834.45	1.38
7230-00 EQUIPMENT RENTAL	4,700.00	5,641.36	8,546.04	0.00	-3,846.04	181.83
7240-00 LAUNDRY SERVICES	500.00	0.00	0.00	0.00	500.00	0.00
7270-00 PERMIT FEES	4,400.00	278.10	278.10	0.00	4,121.90	6.32
7271-00 SAFETY CERTIFICATION FEES - EQUIPMENT	2,200.00	0.00	0.00	0.00	2,200.00	0.00
7280-00 EROSION CONTROL SERVICE	2,700.00	0.00	0.00	0.00	2,700.00	0.00
<b>Total</b> CONTRACT SERVICES	26,500.00	5,919.46	8,989.69	0.00	17,510.31	33.92

## Expenditure Status Report

MONTEREY ONE WATER  
2/1/2025 through 2/28/2025

04 SVRP Fund

050 RECLAMATION TERTIARY PLANT O&M

<u>Account Number</u>	<u>Adjusted Appropriation</u>	<u>Expenditures</u>	<u>Year-to-date Expenditures</u>	<u>Year-to-date Encumbrances</u>	<u>Balance</u>	<u>Prct Used</u>
7300 CHEMICALS						
7320-00 CHLORINE-RECLAMATION	1,440,000.00	44,027.51	831,004.13	0.00	608,995.87	57.71
7355-00 POLYALUMINUM CHLORIDE	325,000.00	0.00	119,936.67	0.00	205,063.33	36.90
7390-00 SODIUM HYPOCHLORITE	17,500.00	0.00	2,858.80	0.00	14,641.20	16.34
Total CHEMICALS	1,782,500.00	44,027.51	953,799.60	0.00	828,700.40	53.51
7400 UTILITIES						
7425-00 ELECTRICITY - RECLAMATION	695,000.00	49,410.54	374,315.57	0.00	320,684.43	53.86
7450-00 GAS/NATURAL GAS - RECLAMATION	16,500.00	5,261.03	13,978.81	0.00	2,521.19	84.72
7480-00 TELEPHONE/ALARM - RTP	2,100.00	0.00	0.00	0.00	2,100.00	0.00
Total UTILITIES	713,600.00	54,671.57	388,294.38	0.00	325,305.62	54.41
7600 MAINTENANCE & REPAIRS						
7610-00 BUILDING & GROUNDS REPAIRS	17,500.00	3,528.46	11,399.32	0.00	6,100.68	65.14
7615-00 CHLORINATOR/SULFONATOR REPAIR	250,000.00	23,057.99	65,310.41	6,758.90	177,930.69	28.83
7620-00 CNTRL.PANELS/INSTRUMENT REPAIR	38,000.00	17,847.99	35,675.95	335.39	1,988.66	94.77
7625-00 ELECT MOTOR REWINDS & REPAIR	9,500.00	0.00	0.00	0.00	9,500.00	0.00
7645-00 MONITORING/SAFETY EQUIP REPAIR	12,500.00	0.00	0.00	0.00	12,500.00	0.00
7655-00 OCEAN OUTFALL MAINT. & REPAIR	5,000.00	0.00	0.00	0.00	5,000.00	0.00
7670-00 PUMP REPAIR	27,000.00	9,291.12	11,146.76	0.00	15,853.24	41.28
7678-00 CHEMICAL EQUIP REPAIR-PUMP STN	2,500.00	0.00	0.00	0.00	2,500.00	0.00
7685-00 GENERAL EQUIPMENT REPAIR	51,810.00	3,296.77	26,051.34	19,731.63	6,027.03	88.37
Total MAINTENANCE & REPAIRS	413,810.00	57,022.33	149,583.78	26,825.92	237,400.30	42.63
7700 REIMBURSEABLE EXPENSES						
7796-00 SLUDGE DISPOSAL COSTS	95,000.00	0.00	0.00	0.00	95,000.00	0.00
7799-00 INDIRECT COSTS	377,103.00	31,425.25	251,402.00	0.00	125,701.00	66.67
Total REIMBURSEABLE EXPENSES	472,103.00	31,425.25	251,402.00	0.00	220,701.00	53.25
8000 NON-OPERATING EXPENSES						

## Expenditure Status Report

MONTEREY ONE WATER  
2/1/2025 through 2/28/2025

04 SVRP Fund

050 RECLAMATION TERTIARY PLANT O&M

<u>Account Number</u>	<u>Adjusted Appropriation</u>	<u>Expenditures</u>	<u>Year-to-date Expenditures</u>	<u>Year-to-date Encumbrances</u>	<u>Balance</u>	<u>Prct Used</u>
8002-00 CAPITAL OUTLAY - EQUIPMENT	690,000.00	0.00	21,543.63	9,810.65	658,645.72	4.54
Total NON-OPERATING EXPENSES	690,000.00	0.00	21,543.63	9,810.65	658,645.72	4.54
Total SVRP Fund	5,096,293.00	314,640.69	2,652,951.45	59,528.07	2,383,813.48	53.22
Grand Total	5,096,293.00	314,640.69	2,652,951.45	59,528.07	2,383,813.48	53.22



# County of Monterey

## Item No.3

### Board Report

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

Legistar File Number: WRAFIN 25-048

May 02, 2025

**Introduced:** 4/28/2025

**Current Status:** Agenda Ready

**Version:** 1

**Matter Type:** WRA Finance Item

Consider recommending that the Board of Directors of the Monterey County Water Resources Agency approve Amendment No.2 to the agreement for Professional Services with FISHBIO, to extend the term length by three years to June 30, 2028, for Smolt Outmigration Monitoring, Adult Upstream Migration, Index- Reach Survey, Index Passive Integrated Transponder (PIT) Tagging, Index Lagoon Monitoring, and on-call services; and authorize the General Manager to execute the amendment.

#### RECOMMENDATION:

It is recommended that the Finance Committee:

Recommend that the Board of Directors of the Monterey County Water Resources Agency approve Amendment No.2 to the agreement for Professional Services with FISHBIO, to extend the term length by three years to June 30, 2028, for Smolt Outmigration Monitoring, Adult Upstream Migration, Index-Reach Survey, Index PIT Tagging, Index Lagoon Monitoring, and on-call services; and authorize the General Manager to execute the amendment.

#### SUMMARY/DISCUSSION:

An Agreement for Professional Services with FISHBIO to perform fish monitoring services at various times throughout the year within the Salinas and Gabilan Watersheds, was approved by the Board of Directors on May 20, 2019 and by the Water Resources Agency Board of Supervisors on June 25, 2019, in an amount not to exceed \$300,000 (Attachment 1).

Consultant assistance from FISHBIO is needed to support implementation of the Low Effect Habitat Conservation Plan, as permitted by the U.S. Fish & Wildlife Service in March 2024. FISHBIO also supports monitoring that is required to support maintenance activities at Nacimiento and San Antonio dams.

Amendment No. 1 to extend the term of the contract by three years to June 30, 2025 was approved by the Board of Directors on March 9, 2022 (Attachment 2).

Amendment No. 2 will extend the term of the contract by three years to June 30, 2028, allowing FISHBIO to continue performing fish monitoring services as necessary (Attachment 3). Approximately half of the original agreement amount has been spent for professional services under the agreement as of April 2025.

#### OTHER AGENCY INVOLVEMENT:

Services provided by FISHBIO are conducted to maintain compliance with regulations from one or more of the following agencies: California Department of Fish and Wildlife, California State Water Resources Control Board, National Oceanic and Atmospheric Administration (NOAA) Fisheries, and U.S. Fish & Wildlife Service.

FINANCING:

Funding for this agreement is included in Fund 116 of the Agency's FY 2024-2025 and proposed FY 2025-2026 budgets. Certain activities may be funded by the Fiscal year 2021 Cooperative Endangered Species Conservation Fund (Section 6) Non-Traditional Habitat Conservation Planning grant that the Agency received from the U.S. Fish & Wildlife Service, if eligible.

Prepared by: Marinn Browne, Water Resources Biologist (831) 788-3450

Approved by: \_\_\_\_\_  
Ara Azhderian, General Manager, (831) 755-4860

Attachments:

1. Agreement for Professional Services
2. Amendment No. 1
3. Amendment No. 2



# County of Monterey

## Item No.3

### Board Report

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

Legistar File Number: WRAFIN 25-048

May 02, 2025

Introduced: 4/28/2025

Current Status: Agenda Ready

Version: 1

Matter Type: WRA Finance Item

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Amendment No. 1 to extend the term of the contract by three years to June 30, 2025 was approved by the Board of Directors on March 9, 2022 (Attachment 2).

Amendment No. 2 will extend the term of the contract by three years to June 30, 2028, allowing FISHBIO to continue performing fish monitoring services as necessary (Attachment 3). Approximately half of the original agreement amount has been spent for professional services under the agreement as of April 2025.

#### OTHER AGENCY INVOLVEMENT:

Services provided by FISHBIO are conducted to maintain compliance with regulations from one or more of the following agencies: California Department of Fish and Wildlife, California

State Water Resources Control Board, National Oceanic and Atmospheric Administration (NOAA) Fisheries, and U.S. Fish & Wildlife Service.

FINANCING:

Funding for this agreement is included in Fund 116 of the Agency's FY 2024-2025 and proposed FY 2025-2026 budgets. Certain activities may be funded by the Fiscal year 2021 Cooperative Endangered Species Conservation Fund (Section 6) Non-Traditional Habitat Conservation Planning grant that the Agency received from the U.S. Fish & Wildlife Service, if eligible.

Prepared by: Marinn Browne, Water Resources Biologist (831) 788-3450

Approved by: \_\_\_\_\_  
Ara Azhderian, General Manager, (831) 755-4860

Attachments:

1. Agreement for Professional Services
2. Amendment No. 1
3. Amendment No. 2



**ROUTING FORM – RQN #: 5224**

Date: 6/10/2019

☒ AGREEMENT☐ AMENDMENT☐ BOARD REPORT FOR PRE-APPROVAL

Vendor Name: FISHBIO

Title/Brief Description of Document: Agreement – \$300K

Originating Dept.: Water Resources Agency Dept. Contact WITH Phone #: Jessell Fenley, Ext: 4896

This Agreement or Amendment requires Board Approval: Yes ☒ No ☐This Agreement requires an MYA: Yes ☒ No ☐**AGREEMENT TYPE**

<input checked="" type="checkbox"/>	RQNSA – Standard Agreement	<input type="checkbox"/>	RQNNS – Non-Standard Agreement
<input type="checkbox"/>	RQNIT – ITD Standard Agreement	<input type="checkbox"/>	RQNIN – ITD Non-Standard Agreement
<input type="checkbox"/>	RQNPB – Pre-Board Standard Agreement	<input type="checkbox"/>	Non-Standard Board Agreement (Not to be tracked within RQN)
<input checked="" type="checkbox"/>	Insurance & Endorsement Current	<input type="checkbox"/>	VDR & Non-Resident State Forms Verified

**ROUTING AND APPROVALS\***

Each Approving Authority is requested to forward the Service Contract to the next Approving Authority in the order listed herein. Thank you.

	Approving Authority:	Approval Initials	Comments:	Date Reviewed
1st	ITD(for all ITD related contracts)		Click here to enter text.	
2nd	County Counsel (required)	KLD	Click here to enter text.	7/24/19
3rd	Risk Management (non-standard insurance and/or indemnity provisions)		Not Applicable	
4th	Auditor-Controller (required)			7/25/19
5th	Contracts/Purchasing (required)		Please forward to CAO Office Juan Lopez. Thank you	7/29/19
	Return to Originating Department Instructions		Jessell Fenley – ext: 4896 Thank you.	

\* In the event that one of the approving authorities has an issue with the document and will not sign, the document shall be returned immediately to the originating department's key contact person identified herein along with a brief written explanation regarding the issue. Once that issue is corrected, the originating department shall restart the routing process again from the beginning by resubmitting the document through the approval process. The original Routing Form should be included for reference.

MYA #: \*4641

Revised 20151217. Ver10

**MONTEREY COUNTY WATER RESOURCES AGENCY  
AGREEMENT FOR PROFESSIONAL SERVICES  
WITH SURVEYORS, ARCHITECTS, ENGINEERS AND/OR DESIGN  
PROFESSIONALS**

This is an agreement ("Agreement") between the Monterey County Water Resources Agency, hereinafter called "Agency," and FISHBIO,  
a California Corporation hereinafter called  
"CONTRACTOR".

In consideration of the mutual covenants and conditions set forth in this Agreement, the parties agree as follows:

1. Employment of CONTRACTOR. Agency hereby engages CONTRACTOR and CONTRACTOR hereby agrees to perform the services set forth in Exhibit A, in conformity with the terms of this Agreement. CONTRACTOR will complete all work in accordance with the **Scope of Work/Work Schedule set forth in Exhibit A:**
  - (a) The scope of work is briefly described and outlined as follows:  
Smolt Outmigration Monitoring, Adult Upstream Migration,  
Index-Reach Survey, Index Pit Tagging, Index Lagoon Monitoring,  
On-call Services (see Exhibit A).
  - (b) The CONTRACTOR shall perform its services under this agreement in accordance with usual and customary care and with generally accepted practices in effect at the time the services are rendered. The CONTRACTOR and its agents and employees performing work hereunder are specially trained, experienced, competent, and appropriately licensed to perform the work and deliver the services required by this Agreement.
  - (c) CONTRACTOR, its agents and employees shall perform all work in a safe and skillful manner and in compliance with all applicable laws and regulations. All work performed under this Agreement that is required by law to be performed or supervised by licensed personnel shall be performed in accordance with such licensing requirements.
  - (d) CONTRACTOR shall furnish, at its own expense, all materials and equipment necessary to carry out the terms of this Agreement, except as otherwise provided herein. CONTRACTOR shall not use Agency premises, property (including equipment, instruments, or supplies) or personnel for any purpose other than in the performance of its obligations hereunder.
2. Term of Agreement. The term of this Agreement shall begin on June 30, 2019  
by CONTRACTOR and Agency, and will terminate on June 30, 2022,  
unless earlier terminated as provided herein.

3. Payments to CONTRACTOR; maximum liability. Subject to the limitations set forth herein, Agency shall pay to CONTRACTOR in accordance with the fee schedule set forth in Exhibit B. The maximum amount payable to CONTRACTOR under this contract is Three Hundred Thousand Dollars no Cents
- 

(\$ 300,000.00 ).

4. Monthly Invoices by CONTRACTOR; Payment.

- (a) CONTRACTOR shall submit to Agency an invoice, in a format approved by Agency, setting forth the amounts claimed by CONTRACTOR, together with an itemized basis for such amounts, and setting forth such other pertinent information Agency may require. CONTRACTOR shall submit such invoice monthly or as agreed by Agency, but in no event shall such invoice be submitted later than 30 days after completion of CONTRACTOR's work hereunder. Agency shall certify the claim if it complies with this contract and shall promptly submit such claim to the Monterey County Auditor-Controller, who shall pay the certified amount within 30 days after receiving the invoice certified by Agency. It is understood and agreed that CONTRACTOR shall complete all work described in Exhibit A for an amount not exceeding that set forth above, notwithstanding CONTRACTOR's submission of periodic invoices.
- (b) CONTRACTOR agrees that Agency may withhold five percent (5%) of the amount requested by CONTRACTOR from any progress payment, until such time as all goods and services are received in a manner and form acceptable to Agency.
- (c) If, as of the date of execution of this Agreement, CONTRACTOR has already received payment from Agency for work which is the subject of this Agreement, such amounts shall be deemed to have been paid under this Agreement and shall be counted toward Agency's maximum liability set forth above.
- (d) CONTRACTOR shall not be reimbursed for travel expenses unless expressly approved in writing in accordance with this Agreement.

5. Indemnification

- 5.1 For purposes of the following indemnification provisions ("Indemnification Agreement"), "design professional" has the same meaning as set forth in California Civil Code section 2782.8. If any term, provision or application of this Indemnification Agreement is found to be invalid, in violation of public policy or unenforceable to any extent, such finding shall not invalidate any other term or provision of this Indemnification Agreement and such other terms and provisions shall continue in full

force and effect. If there is any conflict between the terms, provisions or application of this Indemnification Agreement and the provisions of California Civil Code Sections 2782 or 2782.8, the broadest indemnity protection for the COUNTY under this Indemnity Agreement that is permitted by law shall be provided by CONTRACTOR.

- 5.2 Indemnification for Design Professional Services Claims: CONTRACTOR shall indemnify, defend and hold harmless COUNTY, its governing board, directors, officers, employees, and agents against any claims that arise out of, or pertain to, or relate to the negligence, recklessness, or willful misconduct of the CONTRACTOR, its employees, subCONTRACTORS, and agents in the performance of design professional services under this Agreement, excepting only liability arising from the sole negligence, active negligence or willful misconduct of COUNTY, or defect in a design furnished by COUNTY, but in no event shall the amount of such CONTRACTOR's liability exceed such CONTRACTOR's proportionate percentage of fault as determined by a court, arbitrator or mediator, or as set out in a settlement agreement. In the event one or more defendants to any action involving such claim or claims against COUNTY is unable to pay its share of defense costs due to bankruptcy or dissolution of the business, such CONTRACTOR shall meet and confer with the other parties to such action regarding unpaid defense costs.

- 5.3 Indemnification for All Other Claims or Loss:  
For any claim, loss, injury, damage, expense or liability other than claims arising out of the CONTRACTOR's performance of design professional services under this Agreement, CONTRACTOR shall indemnify, defend and hold harmless COUNTY, its governing board, directors, officers, employees, and agents against any claim for loss, injury, damage, expense or liability resulting from or alleging injury to or death of any person or loss of use of or damage to property, arising from or related to the performance of services under this Agreement by CONTRACTOR, its employees, subCONTRACTORS or agents, excepting only liability arising from the sole negligence, active negligence or willful misconduct of the COUNTY, or defect in a design furnished by the COUNTY.

## 6. Insurance.

- 6.1 Evidence of Coverage:  
Prior to commencement of this Agreement, the CONTRACTOR shall provide a "Certificate of Insurance" certifying that coverage as required herein has been obtained. Individual endorsements executed by the insurance carrier shall accompany the certificate. In addition the CONTRACTOR upon request shall provide a certified copy of the policy or policies.

This verification of coverage shall be sent to the Agency's Contact, unless otherwise directed. The CONTRACTOR shall not receive a "Notice to Proceed" with the work under this Agreement until it has obtained all insurance required and such, insurance has been approved by the Agency. This approval of insurance shall

neither relieve nor decrease the liability of the CONTRACTOR.

6.2 Qualifying Insurers:

All coverage's, except surety, shall be issued by companies which hold a current policy holder's alphabetic and financial size category rating of not less than A-VII, according to the current Best's Key Rating Guide or a company of equal financial stability that is approved by the County's Purchasing Manager.

6.3 Insurance Coverage Requirements:

Without limiting CONTRACTOR's duty to indemnify, CONTRACTOR shall maintain in effect throughout the term of this Agreement a policy or policies of insurance with the following minimum limits of liability:

Commercial general liability insurance, including but not limited to premises and operations, including coverage for Bodily Injury and Property Damage, Personal Injury, Contractual Liability, Broad form Property Damage, Independent CONTRACTORS, Products and Completed Operations, with a combined single limit for Bodily Injury and Property Damage of not less than \$1,000,000 per occurrence.

☐ Exemption/Modification (Justification attached; subject to approval).

Business automobile liability insurance, covering all motor vehicles, including owned, leased, non-owned, and hired vehicles, used in providing services under this Agreement, with a combined single limit for Bodily Injury and Property Damage of not less than \$1,000,000 per occurrence.

☐ Exemption/Modification (Justification attached; subject to approval).

Workers' Compensation Insurance, if CONTRACTOR employs others in the performance of this Agreement, in accordance with California Labor Code section 3700 and with Employer's Liability limits not less than \$1,000,000 each person, \$1,000,000 each accident and \$1,000,000 each disease.

☐ Exemption/Modification (Justification attached; subject to approval).

Professional liability insurance, if required for the professional services being provided, (e.g., those persons authorized by a license to engage in a business or profession regulated by the California Business and Professions Code), in the amount of not less than \$1,000,000 per claim and \$2,000,000 in the aggregate, to cover liability for malpractice or errors or omissions made in the course of rendering professional services. If professional liability insurance is written on a "claims-made" basis rather than an occurrence basis, the CONTRACTOR shall, upon the expiration or earlier termination of this Agreement, obtain extended reporting coverage ("tail coverage") with the same liability limits. Any such tail coverage shall continue for at least three years following the expiration or earlier termination of this Agreement.

☐ Exemption/Modification (Justification attached; subject to approval).

#### 6.4 Other Insurance Requirements.

All insurance required by this Agreement shall be with a company acceptable to the Agency and issued and executed by an admitted insurer authorized to transact Insurance business in the State of California. Unless otherwise specified by this Agreement, all such insurance shall be written on an occurrence basis, or, if the policy is not written on an occurrence basis, such policy with the coverage required herein shall continue in effect for a period of three years following the date CONTRACTOR completes its performance of services under this Agreement.

Each liability policy shall provide that the Agency shall be given notice in writing at least thirty days in advance of any endorsed reduction in coverage or limit, cancellation, or intended non-renewal thereof. Each policy shall provide coverage for CONTRACTOR and additional insureds with respect to claims arising from each subCONTRACTOR, if any, performing work under this Agreement, or be accompanied by a certificate of insurance from each subCONTRACTOR showing each subCONTRACTOR has identical insurance coverage to the above requirements.

Commercial general liability and automobile liability policies shall provide an endorsement naming the Monterey County Water Resources Agency and the County of Monterey, their officers, agents, and employees as Additional Insureds with respect to liability arising out of the CONTRACTOR'S work, including ongoing and completed operations, and shall further provide that such insurance is primary insurance to any insurance or self-insurance maintained by the County and that the insurance of the Additional Insureds shall not be called upon to contribute to a loss covered by the CONTRACTOR'S insurance. The required endorsement form for Commercial General Liability Additional Insured is ISO Form CG 20 10 11-85 or CG 20 10 10 01 in tandem with CG 20 37 10 01 (2000). The required endorsement form for Automobile Additional Insured endorsement is ISO Form CA 20 48 02 99.

Prior to the execution of this Agreement by the Agency, CONTRACTOR shall file certificates of insurance with the Agency's contract administrator, showing that the CONTRACTOR has in effect the insurance required by this Agreement. The CONTRACTOR shall file a new or amended certificate of insurance within five calendar days after any change is made in any insurance policy, which would alter the information on the certificate then on file. Acceptance or approval of insurance shall in no way modify or change the indemnification clause in this Agreement, which shall continue in full force and effect.

CONTRACTOR shall at all times during the term of this Agreement maintain in force the insurance coverage required under this Agreement and shall send, without demand by Agency, annual certificates to Agency's Contract Administrator. If the certificate is not received by the expiration date, Agency shall notify CONTRACTOR and CONTRACTOR shall have five calendar days to send in

the certificate, evidencing no lapse in coverage during the interim. Failure by CONTRACTOR to maintain such insurance is a default of this Agreement, which entitles Agency, at its sole discretion, to terminate this Agreement immediately.

7. Maintenance of Records. CONTRACTOR shall prepare, maintain and preserve all reports and records that may be required by federal, State, and local rules and regulations relating to services performed under this Agreement. CONTRACTOR shall retain all such records for at least five years from the date of final payment, or until any litigation relating to this Agreement is concluded, whichever is later.
8. Right to Audit at Any Time. Agency officials shall have the right, at any time during regular working hours and on reasonable advance notice, to examine, monitor and audit all work performed and all records, documents, conditions, activities and procedures of CONTRACTOR or its subCONTRACTORS relating to this Agreement. Government Code Section 8546.7 provides that an audit by the State Auditor General may be performed up to three years after the final payment under any contract involving the expenditure of public funds in excess of \$10,000.
9. Confidentiality; Return of Records. CONTRACTOR and its officers, employees, agents, and subCONTRACTORS shall comply with all federal, State and local laws providing for the confidentiality of records and other information. To the extent permitted by applicable law and regulations, CONTRACTOR shall maintain confidentiality with respect to Agency's well database and other water use data.

CONTRACTOR shall not disclose any confidential information received from Agency or prepared in connection with the performance of this Agreement without the express permission of Agency. CONTRACTOR shall promptly transmit to Agency all requests for disclosure of any such confidential information. CONTRACTOR shall not use any confidential information gained through the performance of this Agreement except for the purpose of carrying out CONTRACTOR's obligations hereunder. When this Agreement expires or terminates, CONTRACTOR shall return to Agency all records, which CONTRACTOR utilized or received, from Agency to perform services under this Agreement.

10. Termination. Either party may terminate this Agreement by giving written notice of termination to the other party at least thirty (30) days prior to the effective date of termination, which date shall be specified in any such notice. In the event of such termination, the amount payable hereunder shall be reduced in proportion to the services provided prior to the effective date of termination. Agency may terminate this Agreement at any time for good cause effective immediately upon written notice to CONTRACTOR. "Good cause" includes, without limitation, the failure of CONTRACTOR to perform the required services at the time and in the manner provided herein. If Agency terminates this Agreement for good cause, Agency may be relieved of the payment of any consideration to CONTRACTOR, and Agency may proceed with the work in any manner, which it deems proper. Costs incurred by Agency thereby shall be

deducted from any sum due CONTRACTOR.

11. Amendments and Modifications. No modification or amendment of this agreement shall be valid unless it is set forth in writing and executed by the parties.
12. Non-Discrimination. Throughout the performance of this Agreement, CONTRACTOR will not unlawfully discriminate against any person because of race, color, religion, gender, national origin, ancestry, physical disability, medical condition, marital status, age older than 40, or sexual orientation, gender identity or any other status protected under federal, state or local law, either in CONTRACTOR's employment practices or in the furnishing of services to recipients. CONTRACTOR shall ensure that the evaluation and treatment of its employees and applicants for employment and all persons receiving and requesting services are free of such discrimination. CONTRACTOR shall comply fully with all federal, State and local laws and regulations which prohibit discrimination. The provision of services primarily or exclusively to any target population designated herein shall not be deemed prohibited discrimination.
13. Independent Contractor. In its performance under this Agreement, CONTRACTOR is at all times acting and performing as an independent CONTRACTOR and not an employee of Agency. No offer or obligation of employment with Agency is intended in any manner, and CONTRACTOR shall not become entitled by virtue of this Agreement to receive from Agency any form of benefits accorded to employees including without limitation leave time, health insurance, workers compensation coverage, disability benefits, and retirement contributions. CONTRACTOR shall be solely liable for and obligated to pay directly all applicable taxes, including without limitation federal and State income taxes and social security arising out of CONTRACTOR's performance of this Agreement. In connection therewith, CONTRACTOR shall defend, indemnify, and hold harmless Agency from any and all liability, which Agency may incur because of CONTRACTOR's failure to make such payments.
14. Delegation of Duties: Subcontracting. CONTRACTOR is engaged by Agency for its unique qualifications and abilities. CONTRACTOR may not, therefore, delegate any of its basic duties under this Agreement, except to the extent that delegation to CONTRACTOR's employees is contemplated herein. No work shall be subcontracted without the written consent of Agency, except as provided in this Agreement or its attachments. Notwithstanding any subcontract, CONTRACTOR shall continue to be liable to Agency for the performance of all work hereunder. CONTRACTOR shall not assign, sell, mortgage or otherwise transfer its interest or obligations in this Agreement without Agency's prior written consent.
15. Agency's Rights in Work Product. All original materials prepared by CONTRACTOR in connection with its work hereunder -- including but not limited to computer codes, customized computer routines developed using proprietary or commercial software packages, reports, documents, maps, graphs, charts, photographs and photographic negatives -- shall be the property of Agency and shall be delivered to Agency prior to final payment. CONTRACTOR may utilize any existing materials developed by



CONTRACTOR prior to commencement of work under this Agreement, which materials shall remain the property of CONTRACTOR.

16. Compliance with Terms of Federal or State Grant. If any part of this Agreement has been or will be funded pursuant to a grant from the federal or State government in which Agency is the grantee, CONTRACTOR shall comply with all provisions of such grant applicable to CONTRACTOR's work hereunder, and said provisions shall be deemed a part of this Agreement as though fully set forth herein.
17. Conflict of Interest. CONTRACTOR warrants that it presently has no interest and shall not acquire any interest during the term of this Agreement, which would directly or indirectly conflict in any manner or to any degree with its full and complete performance of all services under this Agreement.
18. Governing Laws. This Agreement is entered into in the County of Monterey, State of California, and shall be construed and enforced in accordance with the laws of the State of California. The parties hereby agree that the County of Monterey shall be the proper venue for any dispute arising hereunder.
19. Compliance with Applicable Law. The parties shall comply with all applicable federal, state, and local laws and regulations in performing this Agreement.
20. Construction of Agreement. The parties agree that each party has fully participated in the review and revision of this Agreement and that any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not apply in the interpretation of this Agreement or any exhibit or amendment. To that end, it is understood and agreed that this Agreement has been arrived at through negotiation, and that neither party is to be deemed the party which prepared this Agreement within the meaning of Civil Code Section 1654. Section and paragraph headings appearing herein are for convenience only and shall not be used to interpret the terms of this Agreement.
21. Waiver. Any waiver of any term or condition hereof must be in writing. No such waiver shall be construed as a waiver of any other term or condition herein.
22. Successors and Assigns. This Agreement and all rights, privileges, duties and obligations hereunder, to the extent assignable or delegable, shall be binding upon and inure to the benefit of the parties and their respective successors, permitted assigns and heirs.
23. Contractor. The term "CONTRACTOR" as used in this Agreement includes CONTRACTOR's officers, agents, and employees acting on Contractor's behalf in the performance of this Agreement.
24. Interpretation of Conflicting Provisions. In the event of any conflict or inconsistency between the provisions of this Agreement and the Provisions of any exhibit or other attachment to this Agreement, the provisions of this Agreement shall prevail and control.

25. Time is of the Essence. The parties mutually acknowledge and agree that time is of the essence with respect to every provision hereof in which time is an element. No extension of time for performance of any obligation or act shall be deemed an extension of time for performance of any other obligation or act, nor shall any such extension create a precedent for any further or future extension.

26. Contract Administrators.

CONTRACTOR's designated principal responsible for administering  
CONTRACTOR's work under this Agreement shall be  
Doug Demko & Ryan Cuthbert

Agency's designated administrator of this Agreement shall be  
Elizabeth Krafft

27. Notices. Notices required under this Agreement shall be delivered personally or by electronic facsimile, or by first class or certified mail with postage prepaid. Notice shall be deemed effective upon personal delivery or facsimile transmission, or on the third day after deposit with the U.S. Postal Service. CONTRACTOR shall give Agency prompt notice of any change of address. Unless otherwise changed according to these notice provisions, notices shall be addressed as follows:

TO AGENCY		TO CONTRACTOR	
Name: Elizabeth Krafft		Name: Doug Demko	
Address:		Address:	
1441 Schilling Pl. North Bldg., Salinas, CA 93901		1617 S. Yosemite Ave., Oakdale, CA 95361	
Telephone: 831.755.4860		Telephone: 209.847.6300	
Fax: 831.424.7935		Fax: 209.847.1925	
E-Mail: krafftea@co.monterey.ca.us		E-Mail: dougdemko@fishbio.com	

28. Electronic Deliverables. Where feasible, all reports, documents and other printed information provided to the Agency pursuant to this Agreement shall be submitted in both written and Electronic formats in accordance with the specifications listed in Exhibit C.

29. Non-exclusive Agreement. This Agreement is non-exclusive and both parties reserve the right to contract with other entities for the same or similar services.

30. Execution of Agreement. Any individual executing this Agreement on behalf of an entity represents and warrants that he or she has the requisite authority to enter into this Agreement on behalf of such entity and to bind the entity to the terms and conditions hereof. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement.

31. Exhibits. The following Exhibits are attached hereto and incorporated by reference:

Exhibit A - Scope of Work/ Work Schedule

Exhibit B - Fee Schedule

Exhibit C - Deliverables

Exhibit D -

32. Entire Agreement --As of the effective date of this Agreement, this document, including all exhibits hereto, constitutes the entire agreement between the parties, and supersedes any and all prior written or oral negotiations and representations between the parties concerning all matters relating to the subject of this Agreement.

**MONTEREY COUNTY WATER RESOURCES AGENCY  
AGREEMENT FOR PROFESSIONAL SERVICES  
WITH SURVEYORS, ARCHITECTS, ENGINEERS AND/OR DESIGN  
PROFESSIONALS**

IN WITNESS WHEREOF, AGENCY and CONTRACTOR execute this agreement as follows:

**MONTEREY COUNTY WATER  
RESOURCES AGENCY:**

BY: 

~~Shauna Lorange~~ **BRENT BUCHE**  
General Manager

Date: 8/5/19

**CONTRACTOR:**

BY: 

Type Name: Doug Demko

Title: President

Date: 7/16/19

BY: \_\_\_\_\_

Type Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

\* INSTRUCTIONS: If CONTRACTOR is a corporation (including limited liability and nonprofit corporations), the full legal name of the corporation shall be set forth together with the signatures of two specified officers. If CONTRACTOR is a partnership, the name of the partnership shall be set forth together with the signature of a partner with authority to execute this Agreement on behalf of the partnership. If CONTRACTOR is contracting in an individual capacity, the individual shall set forth the name of his or her business, if any, and shall personally sign the Agreement.

( \_\_\_\_\_ )  
**Agreement/Amendment No # ( \_\_\_\_\_ )**


\*\*\*\*\*

Approved as to form <sup>1</sup>:

  
\_\_\_\_\_  
Deputy County Counsel

Dated: 7/24/19

Approved as to fiscal provisions:

  
\_\_\_\_\_  
Administrative Analyst

Dated: 7/29/19

\_\_\_\_\_  
County Counsel – Risk Manager:

Dated: \_\_\_\_\_

  
\_\_\_\_\_  
Auditor-Controller <sup>2</sup>:

Dated: 7/25/19

<sup>1</sup> Approval by County Counsel is required, and/or when legal services are rendered

<sup>2</sup> Approval by Auditor-Controller is required

# EXHIBIT A

## Scope of Work

### 2.1 Work Plan

MCWRA requires fish monitoring services at various times throughout the year within the Salinas and Gabilan watersheds in Monterey and San Luis Obispo counties. Those services include the following tasks:

#### **TASK 1 - Smolt Outmigration Monitoring**

MCWRA uses rotary-screw traps to capture out migrating steelhead smolts. These data will be used to confirm the adequacy of block flow releases and the timing and abundance of smolts. Exact deployment locations will be determined based on, but not limited to, the following criteria: 1) minimum and maximum velocity requirements of the equipment as well as historic flow data at that site, 2) channel morphology, 3) and mooring/anchoring features such as bridges or stream banks.

Contractors will be responsible for all the project staffing requirements to accomplish the following:

- (1) Install and maintain RSTs at time/location to be determined
- (2) Remove, clean and prepare the RSTs for storage after season end
- (3) At a minimum, the following information will be recorded daily (when RST is in operation) from each monitoring device:
  - (a.) Measured length of any steelhead recovered
  - (b.) Weight of any steelhead recovered
  - (c.) External Condition of steelhead, which includes characteristics of progress of transition from freshwater parr stage to seawater tolerant smolt stage.
  - (d.) Fish Count and species count
  - (e.) Photograph of representative fish
  - (f.) Water quality data (SEC, DO, Temp, pH) collected at each site
  - (g.) Information relevant to the function of the screw traps (i.e., velocity of water entering the trap, timing of trap rotation, etc.)
  - (i) Number of steelhead pit tagged.
- (4) Provide report by August 1 that include:
  - (a.) A description of the project location(s)
  - (b.) Description of the sampling methods and protocols,
  - (c.) Results, conclusions and recommendations for possible improvements to future efforts,
  - (d.) All data collected during the monitoring in report and electronic format

## **TASK 2 – Adult Upstream Migration**

MCWRA owns a Vaki Riverwatcher System to perform the monitoring of adult steelhead upstream migration in the Salinas River. The contractor will be required to install and remove the Riverwatcher system, used in conjunction with a resistance board weir. Monitor and clean the weir on a regular basis to minimize debris loads as well as identify adult steelhead utilizing the Riverwater video and infrared images.

- (1) Install resistance board weir and Vaki Riverwatcher System in the Salinas River, normally near the SRDF in Marina, CA.
- (2) Monitor weir as necessary for debris and keep cleaned.
- (3) Using images captured by the Riverwatcher system, identify adult steelhead migrating upstream.
- (4) Remove, clean and prepare for storage Riverwatcher system and resistance board weir after monitoring season.
- (5) Provide report by June 1 that includes:
  - (a.) A description of the project location(s)
  - (b.) Description of the sampling methods and protocols,
  - (c.) Results, conclusions and recommendations for possible improvements to future efforts,
  - (d.) All data collected during the monitoring in report and electronic format

## **TASK 3 – Index-Reach Survey**

Contractors will provide properly permitted staff and equipment to perform index reach monitoring by electrofishing (depletion sampling), multipass dive counts or other methods approved by MCWRA. The contractor will:

- (1) Perform Index reach surveys on the San Antonio, Arroyo Seco and Nacimiento Rivers.
- (2) Surveys will be conducted utilizing either electrofishing (depletion surveys) or multi-pass dive counts. Conditions and direction from MCWRA (flow, visibility, etc.) during the sampling period will dictate which method will be utilized.
- (3) Provide report by December 1 that includes:
  - (a.) A description of the project location(s)
  - (b.) Description of the sampling methods and protocols,
  - (c.) Results, conclusions and recommendations for possible improvements to future efforts,
  - (d.) All data collected during the monitoring in report and electronic format

## **TASK 4 – Index Pit Tagging**

Contractor will install and maintain pit tag array(s) and report data collected.

## **TASK 5 – Index Lagoon Monitoring**

Contractor will perform fish monitoring as needed in the Salinas River Lagoon by seining or other methods approved by MCWRA.

## **TASK 6 - On-call Services**

Contractor will provide on-call services to MCWRA as requested. The need for these services may occur under emergency conditions, including inclement weather, and outside of normal business hours. If on-call services are requested, it will be billed on a time and materials basis as agreed upon between the Contractor and MCWRA.

## **Deliverables**

The Contractor will provide:

- Draft reports via e-mail 15 days prior to due date for MCWRA review and comment
- Final report in .pdf format
- Electronic data shall be readable using Microsoft Word, Excel, and/or Project
- Digital photos shall be 2048 X 1536 pixels at 72 pixels per inch or better and delivered in .JPEG format
- Upon MCWRA request, copies of pertinent collection permits
- Operations Plan prior to work beginning. The Operations Plan shall include, at a minimum:
  - Safety Plan
  - Standard Operating Procedures for data collection
  - Invasive Species Prevention Plan



# EXHIBIT B



1617 S. Yosemite Avenue • Oakdale, CA 95361 • Phone: (209) 847-6300 • Fax: (209) 847-1925

## 2019 HOURLY RATE SHEET

Hourly service rates are provided for each service category in the table below followed by a description of other charges which may be billed to your projects. Hourly rates will be pro-rated to the nearest ¼ hour (e.g., 15 minutes).

<i>Position</i>	<i>Rate</i>
Principal Biologist	\$180
Senior Biologist	\$160
Biologist 3	\$150
Biologist 2	\$140
Biologist 1/ Graphical Design	\$120
Technician 2	\$90
Technician 1	\$80
Office Assistant	\$70

Project specific expenses including, but not limited to, purchase of and repairs to rotary screw traps, weirs, and telemetry equipment; warning signs posted at monitoring sites; boat rental; travel costs (i.e., vehicle mileage and rental, gas for boats, and lodging), and specialty printing costs (i.e., posters, aerial photographs, brochures) will be charged at cost. Equipment expenses for pilot or highly specialized projects (e.g., telemetry studies) will also be charged at cost.

Subcontractor charges will be billed at cost plus 10% for services and at cost for all other expenses.

## **EXHIBIT C**

### **DELIVERABLES**

#### **Required Document Formats**

When required by this agreement, the following documents shall be delivered to the Agency project or contract administrator:

Administrative Draft of Report (for staff review)  
[one (1) MS Word and one (1) PDF]

Final Draft  
[one (1) MS Word and one (1) PDF]

Final Document  
[one (1) MS Word and one (1) PDF via email or USB drive]

All documents shall be provided digitally to the Agency in both Microsoft Word and PDF formats on a either via email or USB drive.

Following approval by staff of each final report all raw data collected, whether on not provided in the report shall be provided to the Agency in electronic form - (USB or portable hard drive, etc)

**MONTEREY COUNTY WATER RESOURCES AGENCY  
AGREEMENT FOR PROFESSIONAL SERVICES  
WITH SURVEYORS, ARCHITECTS, ENGINEERS AND/OR DESIGN  
PROFESSIONALS**

This is an agreement ("Agreement") between the Monterey County Water Resources Agency, hereinafter called "Agency," and FISHBIO,  
a California Corporation hereinafter called  
"CONTRACTOR".

In consideration of the mutual covenants and conditions set forth in this Agreement, the parties agree as follows:

1. Employment of CONTRACTOR. Agency hereby engages CONTRACTOR and CONTRACTOR hereby agrees to perform the services set forth in Exhibit A, in conformity with the terms of this Agreement. CONTRACTOR will complete all work in accordance with the **Scope of Work/Work Schedule set forth in Exhibit A:**
  - (a) The scope of work is briefly described and outlined as follows:  
Smolt Outmigration Monitoring, Adult Upstream Migration, Index-Reach Survey, Index Pit Tagging, Index Lagoon Monitoring, On-call Services (see Exhibit A).
  - (b) The CONTRACTOR shall perform its services under this agreement in accordance with usual and customary care and with generally accepted practices in effect at the time the services are rendered. The CONTRACTOR and its agents and employees performing work hereunder are specially trained, experienced, competent, and appropriately licensed to perform the work and deliver the services required by this Agreement.
  - (c) CONTRACTOR, its agents and employees shall perform all work in a safe and skillful manner and in compliance with all applicable laws and regulations. All work performed under this Agreement that is required by law to be performed or supervised by licensed personnel shall be performed in accordance with such licensing requirements.
  - (d) CONTRACTOR shall furnish, at its own expense, all materials and equipment necessary to carry out the terms of this Agreement, except as otherwise provided herein. CONTRACTOR shall not use Agency premises, property (including equipment, instruments, or supplies) or personnel for any purpose other than in the performance of its obligations hereunder.
2. Term of Agreement. The term of this Agreement shall begin on June 30, 2019  
by CONTRACTOR and Agency, and will terminate on June 30, 2022,  
unless earlier terminated as provided herein.

3. Payments to CONTRACTOR; maximum liability. Subject to the limitations set forth herein, Agency shall pay to CONTRACTOR in accordance with the fee schedule set forth in Exhibit B. The maximum amount payable to CONTRACTOR under this contract is Three Hundred Thousand Dollars no Cents

(\$ 300,000.00 ).

4. Monthly Invoices by CONTRACTOR; Payment.

- (a) CONTRACTOR shall submit to Agency an invoice, in a format approved by Agency, setting forth the amounts claimed by CONTRACTOR, together with an itemized basis for such amounts, and setting forth such other pertinent information Agency may require. CONTRACTOR shall submit such invoice monthly or as agreed by Agency, but in no event shall such invoice be submitted later than 30 days after completion of CONTRACTOR's work hereunder. Agency shall certify the claim if it complies with this contract and shall promptly submit such claim to the Monterey County Auditor-Controller, who shall pay the certified amount within 30 days after receiving the invoice certified by Agency. It is understood and agreed that CONTRACTOR shall complete all work described in Exhibit A for an amount not exceeding that set forth above, notwithstanding CONTRACTOR's submission of periodic invoices.
- (b) CONTRACTOR agrees that Agency may withhold five percent (5%) of the amount requested by CONTRACTOR from any progress payment, until such time as all goods and services are received in a manner and form acceptable to Agency.
- (c) If, as of the date of execution of this Agreement, CONTRACTOR has already received payment from Agency for work which is the subject of this Agreement, such amounts shall be deemed to have been paid under this Agreement and shall be counted toward Agency's maximum liability set forth above.
- (d) CONTRACTOR shall not be reimbursed for travel expenses unless expressly approved in writing in accordance with this Agreement.

5. Indemnification

- 5.1 For purposes of the following indemnification provisions ("Indemnification Agreement"), "design professional" has the same meaning as set forth in California Civil Code section 2782.8. If any term, provision or application of this Indemnification Agreement is found to be invalid, in violation of public policy or unenforceable to any extent, such finding shall not invalidate any other term or provision of this Indemnification Agreement and such other terms and provisions shall continue in full

force and effect. If there is any conflict between the terms, provisions or application of this Indemnification Agreement and the provisions of California Civil Code Sections 2782 or 2782.8, the broadest indemnity protection for the COUNTY under this Indemnity Agreement that is permitted by law shall be provided by CONTRACTOR.

- 5.2 Indemnification for Design Professional Services Claims: CONTRACTOR shall indemnify, defend and hold harmless COUNTY, its governing board, directors, officers, employees, and agents against any claims that arise out of, or pertain to, or relate to the negligence, recklessness, or willful misconduct of the CONTRACTOR, its employees, subCONTRACTORS, and agents in the performance of design professional services under this Agreement, excepting only liability arising from the sole negligence, active negligence or willful misconduct of COUNTY, or defect in a design furnished by COUNTY, but in no event shall the amount of such CONTRACTOR's liability exceed such CONTRACTOR's proportionate percentage of fault as determined by a court, arbitrator or mediator, or as set out in a settlement agreement. In the event one or more defendants to any action involving such claim or claims against COUNTY is unable to pay its share of defense costs due to bankruptcy or dissolution of the business, such CONTRACTOR shall meet and confer with the other parties to such action regarding unpaid defense costs.

- 5.3 Indemnification for All Other Claims or Loss:  
For any claim, loss, injury, damage, expense or liability other than claims arising out of the CONTRACTOR's performance of design professional services under this Agreement, CONTRACTOR shall indemnify, defend and hold harmless COUNTY, its governing board, directors, officers, employees, and agents against any claim for loss, injury, damage, expense or liability resulting from or alleging injury to or death of any person or loss of use of or damage to property, arising from or related to the performance of services under this Agreement by CONTRACTOR, its employees, subCONTRACTORS or agents, excepting only liability arising from the sole negligence, active negligence or willful misconduct of the COUNTY, or defect in a design furnished by the COUNTY.

## 6. Insurance.

- 6.1 Evidence of Coverage:  
Prior to commencement of this Agreement, the CONTRACTOR shall provide a "Certificate of Insurance" certifying that coverage as required herein has been obtained. Individual endorsements executed by the insurance carrier shall accompany the certificate. In addition the CONTRACTOR upon request shall provide a certified copy of the policy or policies.

This verification of coverage shall be sent to the Agency's Contact, unless otherwise directed. The CONTRACTOR shall not receive a "Notice to Proceed" with the work under this Agreement until it has obtained all insurance required and such, insurance has been approved by the Agency. This approval of insurance shall

neither relieve nor decrease the liability of the CONTRACTOR.

6.2 Qualifying Insurers:

All coverage's, except surety, shall be issued by companies which hold a current policy holder's alphabetic and financial size category rating of not less than A-VII, according to the current Best's Key Rating Guide or a company of equal financial stability that is approved by the County's Purchasing Manager.

6.3 Insurance Coverage Requirements:

Without limiting CONTRACTOR's duty to indemnify, CONTRACTOR shall maintain in effect throughout the term of this Agreement a policy or policies of insurance with the following minimum limits of liability:

Commercial general liability insurance, including but not limited to premises and operations, including coverage for Bodily Injury and Property Damage, Personal Injury, Contractual Liability, Broad form Property Damage, Independent CONTRACTORS, Products and Completed Operations, with a combined single limit for Bodily Injury and Property Damage of not less than \$1,000,000 per occurrence.

☐ Exemption/Modification (Justification attached; subject to approval).

Business automobile liability insurance, covering all motor vehicles, including owned, leased, non-owned, and hired vehicles, used in providing services under this Agreement, with a combined single limit for Bodily Injury and Property Damage of not less than \$1,000,000 per occurrence.

☐ Exemption/Modification (Justification attached; subject to approval).

Workers' Compensation Insurance, if CONTRACTOR employs others in the performance of this Agreement, in accordance with California Labor Code section 3700 and with Employer's Liability limits not less than \$1,000,000 each person, \$1,000,000 each accident and \$1,000,000 each disease.

☐ Exemption/Modification (Justification attached; subject to approval).

Professional liability insurance, if required for the professional services being provided, (e.g., those persons authorized by a license to engage in a business or profession regulated by the California Business and Professions Code), in the amount of not less than \$1,000,000 per claim and \$2,000,000 in the aggregate, to cover liability for malpractice or errors or omissions made in the course of rendering professional services. If professional liability insurance is written on a "claims-made" basis rather than an occurrence basis, the CONTRACTOR shall, upon the expiration or earlier termination of this Agreement, obtain extended reporting coverage ("tail coverage") with the same liability limits. Any such tail coverage shall continue for at least three years following the expiration or earlier termination of this Agreement.

☐ Exemption/Modification (Justification attached; subject to approval).

#### 6.4 Other Insurance Requirements.

All insurance required by this Agreement shall be with a company acceptable to the Agency and issued and executed by an admitted insurer authorized to transact Insurance business in the State of California. Unless otherwise specified by this Agreement, all such insurance shall be written on an occurrence basis, or, if the policy is not written on an occurrence basis, such policy with the coverage required herein shall continue in effect for a period of three years following the date CONTRACTOR completes its performance of services under this Agreement.

Each liability policy shall provide that the Agency shall be given notice in writing at least thirty days in advance of any endorsed reduction in coverage or limit, cancellation, or intended non-renewal thereof. Each policy shall provide coverage for CONTRACTOR and additional insureds with respect to claims arising from each subCONTRACTOR, if any, performing work under this Agreement, or be accompanied by a certificate of insurance from each subCONTRACTOR showing each subCONTRACTOR has identical insurance coverage to the above requirements.

Commercial general liability and automobile liability policies shall provide an endorsement naming the Monterey County Water Resources Agency and the County of Monterey, their officers, agents, and employees as Additional Insureds with respect to liability arising out of the CONTRACTOR'S work, including ongoing and completed operations, and shall further provide that such insurance is primary insurance to any insurance or self-insurance maintained by the County and that the insurance of the Additional Insureds shall not be called upon to contribute to a loss covered by the CONTRACTOR'S insurance. The required endorsement form for Commercial General Liability Additional Insured is ISO Form CG 20 10 11-85 or CG 20 10 10 01 in tandem with CG 20 37 10 01 (2000). The required endorsement form for Automobile Additional Insured endorsement is ISO Form CA 20 48 02 99.

Prior to the execution of this Agreement by the Agency, CONTRACTOR shall file certificates of insurance with the Agency's contract administrator, showing that the CONTRACTOR has in effect the insurance required by this Agreement. The CONTRACTOR shall file a new or amended certificate of insurance within five calendar days after any change is made in any insurance policy, which would alter the information on the certificate then on file. Acceptance or approval of insurance shall in no way modify or change the indemnification clause in this Agreement, which shall continue in full force and effect.

CONTRACTOR shall at all times during the term of this Agreement maintain in force the insurance coverage required under this Agreement and shall send, without demand by Agency, annual certificates to Agency's Contract Administrator. If the certificate is not received by the expiration date, Agency shall notify CONTRACTOR and CONTRACTOR shall have five calendar days to send in

the certificate, evidencing no lapse in coverage during the interim. Failure by CONTRACTOR to maintain such insurance is a default of this Agreement, which entitles Agency, at its sole discretion, to terminate this Agreement immediately.

7. Maintenance of Records. CONTRACTOR shall prepare, maintain and preserve all reports and records that may be required by federal, State, and local rules and regulations relating to services performed under this Agreement. CONTRACTOR shall retain all such records for at least five years from the date of final payment, or until any litigation relating to this Agreement is concluded, whichever is later.
8. Right to Audit at Any Time. Agency officials shall have the right, at any time during regular working hours and on reasonable advance notice, to examine, monitor and audit all work performed and all records, documents, conditions, activities and procedures of CONTRACTOR or its subCONTRACTORS relating to this Agreement. Government Code Section 8546.7 provides that an audit by the State Auditor General may be performed up to three years after the final payment under any contract involving the expenditure of public funds in excess of \$10,000.
9. Confidentiality; Return of Records. CONTRACTOR and its officers, employees, agents, and subCONTRACTORS shall comply with all federal, State and local laws providing for the confidentiality of records and other information. To the extent permitted by applicable law and regulations, CONTRACTOR shall maintain confidentiality with respect to Agency's well database and other water use data.

CONTRACTOR shall not disclose any confidential information received from Agency or prepared in connection with the performance of this Agreement without the express permission of Agency. CONTRACTOR shall promptly transmit to Agency all requests for disclosure of any such confidential information. CONTRACTOR shall not use any confidential information gained through the performance of this Agreement except for the purpose of carrying out CONTRACTOR's obligations hereunder. When this Agreement expires or terminates, CONTRACTOR shall return to Agency all records, which CONTRACTOR utilized or received, from Agency to perform services under this Agreement.

10. Termination. Either party may terminate this Agreement by giving written notice of termination to the other party at least thirty (30) days prior to the effective date of termination, which date shall be specified in any such notice. In the event of such termination, the amount payable hereunder shall be reduced in proportion to the services provided prior to the effective date of termination. Agency may terminate this Agreement at any time for good cause effective immediately upon written notice to CONTRACTOR. "Good cause" includes, without limitation, the failure of CONTRACTOR to perform the required services at the time and in the manner provided herein. If Agency terminates this Agreement for good cause, Agency may be relieved of the payment of any consideration to CONTRACTOR, and Agency may proceed with the work in any manner, which it deems proper. Costs incurred by Agency thereby shall be



deducted from any sum due CONTRACTOR.

11. Amendments and Modifications. No modification or amendment of this agreement shall be valid unless it is set forth in writing and executed by the parties.
12. Non-Discrimination. Throughout the performance of this Agreement, CONTRACTOR will not unlawfully discriminate against any person because of race, color, religion, gender, national origin, ancestry, physical disability, medical condition, marital status, age older than 40, or sexual orientation, gender identity or any other status protected under federal, state or local law, either in CONTRACTOR's employment practices or in the furnishing of services to recipients. CONTRACTOR shall ensure that the evaluation and treatment of its employees and applicants for employment and all persons receiving and requesting services are free of such discrimination. CONTRACTOR shall comply fully with all federal, State and local laws and regulations which prohibit discrimination. The provision of services primarily or exclusively to any target population designated herein shall not be deemed prohibited discrimination.
13. Independent Contractor. In its performance under this Agreement, CONTRACTOR is at all times acting and performing as an independent CONTRACTOR and not an employee of Agency. No offer or obligation of employment with Agency is intended in any manner, and CONTRACTOR shall not become entitled by virtue of this Agreement to receive from Agency any form of benefits accorded to employees including without limitation leave time, health insurance, workers compensation coverage, disability benefits, and retirement contributions. CONTRACTOR shall be solely liable for and obligated to pay directly all applicable taxes, including without limitation federal and State income taxes and social security arising out of CONTRACTOR's performance of this Agreement. In connection therewith, CONTRACTOR shall defend, indemnify, and hold harmless Agency from any and all liability, which Agency may incur because of CONTRACTOR's failure to make such payments.
14. Delegation of Duties; Subcontracting. CONTRACTOR is engaged by Agency for its unique qualifications and abilities. CONTRACTOR may not, therefore, delegate any of its basic duties under this Agreement, except to the extent that delegation to CONTRACTOR's employees is contemplated herein. No work shall be subcontracted without the written consent of Agency, except as provided in this Agreement or its attachments. Notwithstanding any subcontract, CONTRACTOR shall continue to be liable to Agency for the performance of all work hereunder. CONTRACTOR shall not assign, sell, mortgage or otherwise transfer its interest or obligations in this Agreement without Agency's prior written consent.
15. Agency's Rights in Work Product. All original materials prepared by CONTRACTOR in connection with its work hereunder -- including but not limited to computer codes, customized computer routines developed using proprietary or commercial software packages, reports, documents, maps, graphs, charts, photographs and photographic negatives -- shall be the property of Agency and shall be delivered to Agency prior to final payment. CONTRACTOR may utilize any existing materials developed by

CONTRACTOR prior to commencement of work under this Agreement, which materials shall remain the property of CONTRACTOR.

16. Compliance with Terms of Federal or State Grant. If any part of this Agreement has been or will be funded pursuant to a grant from the federal or State government in which Agency is the grantee, CONTRACTOR shall comply with all provisions of such grant applicable to CONTRACTOR's work hereunder, and said provisions shall be deemed a part of this Agreement as though fully set forth herein.
17. Conflict of Interest. CONTRACTOR warrants that it presently has no interest and shall not acquire any interest during the term of this Agreement, which would directly or indirectly conflict in any manner or to any degree with its full and complete performance of all services under this Agreement.
18. Governing Laws. This Agreement is entered into in the County of Monterey, State of California, and shall be construed and enforced in accordance with the laws of the State of California. The parties hereby agree that the County of Monterey shall be the proper venue for any dispute arising hereunder.
19. Compliance with Applicable Law. The parties shall comply with all applicable federal, state, and local laws and regulations in performing this Agreement.
20. Construction of Agreement. The parties agree that each party has fully participated in the review and revision of this Agreement and that any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not apply in the interpretation of this Agreement or any exhibit or amendment. To that end, it is understood and agreed that this Agreement has been arrived at through negotiation, and that neither party is to be deemed the party which prepared this Agreement within the meaning of Civil Code Section 1654. Section and paragraph headings appearing herein are for convenience only and shall not be used to interpret the terms of this Agreement.
21. Waiver. Any waiver of any term or condition hereof must be in writing. No such waiver shall be construed as a waiver of any other term or condition herein.
22. Successors and Assigns. This Agreement and all rights, privileges, duties and obligations hereunder, to the extent assignable or delegable, shall be binding upon and inure to the benefit of the parties and their respective successors, permitted assigns and heirs.
23. Contractor. The term "CONTRACTOR" as used in this Agreement includes CONTRACTOR's officers, agents, and employees acting on Contractor's behalf in the performance of this Agreement.
24. Interpretation of Conflicting Provisions. In the event of any conflict or inconsistency between the provisions of this Agreement and the Provisions of any exhibit or other attachment to this Agreement, the provisions of this Agreement shall prevail and control.

25. Time is of the Essence. The parties mutually acknowledge and agree that time is of the essence with respect to every provision hereof in which time is an element. No extension of time for performance of any obligation or act shall be deemed an extension of time for performance of any other obligation or act, nor shall any such extension create a precedent for any further or future extension.

26. Contract Administrators.

CONTRACTOR's designated principal responsible for administering  
CONTRACTOR's work under this Agreement shall be  
Doug Demko & Ryan Cuthbert

Agency's designated administrator of this Agreement shall be  
Elizabeth Krafft

27. Notices. Notices required under this Agreement shall be delivered personally or by electronic facsimile, or by first class or certified mail with postage prepaid. Notice shall be deemed effective upon personal delivery or facsimile transmission, or on the third day after deposit with the U.S. Postal Service. CONTRACTOR shall give Agency prompt notice of any change of address. Unless otherwise changed according to these notice provisions, notices shall be addressed as follows:

TO AGENCY		TO CONTRACTOR	
Name:	Elizabeth Krafft	Name:	Doug Demko
Address:	1441 Schilling Pl. North Bldg., Salinas, CA 93901	Address:	1617 S. Yosemite Ave., Oakdale, CA 95361
Telephone:	831.755.4860	Telephone:	209.847.6300
Fax:	831.424.7935	Fax:	209.847.1925
E-Mail:	kraffttea@co.monterey.ca.us	E-Mail:	dougdemko@fishbio.com

28. Electronic Deliverables. Where feasible, all reports, documents and other printed information provided to the Agency pursuant to this Agreement shall be submitted in both written and Electronic formats in accordance with the specifications listed in Exhibit C.

29. Non-exclusive Agreement. This Agreement is non-exclusive and both parties reserve the right to contract with other entities for the same or similar services.

30. Execution of Agreement. Any individual executing this Agreement on behalf of an entity represents and warrants that he or she has the requisite authority to enter into this Agreement on behalf of such entity and to bind the entity to the terms and conditions hereof. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement.

31. Exhibits. The following Exhibits are attached hereto and incorporated by reference:

Exhibit A - Scope of Work/ Work Schedule

Exhibit B - Fee Schedule

Exhibit C - Deliverables

Exhibit D -

32. Entire Agreement --As of the effective date of this Agreement, this document, including all exhibits hereto, constitutes the entire agreement between the parties, and supersedes any and all prior written or oral negotiations and representations between the parties concerning all matters relating to the subject of this Agreement.

**MONTEREY COUNTY WATER RESOURCES AGENCY  
AGREEMENT FOR PROFESSIONAL SERVICES  
WITH SURVEYORS, ARCHITECTS, ENGINEERS AND/OR DESIGN  
PROFESSIONALS**

IN WITNESS WHEREOF, AGENCY and CONTRACTOR execute this agreement as follows:

**MONTEREY COUNTY WATER  
RESOURCES AGENCY:**

BY: 

~~Shauna Lorance~~ **BRENT BUCHE**  
General Manager

Date: 8/5/19

**CONTRACTOR:**

BY: 

Type Name: Doug Demko

Title: President

Date: 7/16/19

BY: \_\_\_\_\_

Type Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

\* INSTRUCTIONS: If CONTRACTOR is a corporation (including limited liability and nonprofit corporations), the full legal name of the corporation shall be set forth together with the signatures of two specified officers. If CONTRACTOR is a partnership, the name of the partnership shall be set forth together with the signature of a partner with authority to execute this Agreement on behalf of the partnership. If CONTRACTOR is contracting in an individual capacity, the individual shall set forth the name of his or her business, if any, and shall personally sign the Agreement.

( \_\_\_\_\_ )  
**Agreement/Amendment No # ( \_\_\_\_\_ )**

\*\*\*\*\*

Approved as to form <sup>1</sup>:

  
Deputy County Counsel

Dated: 7/24/19

Approved as to fiscal provisions:

  
Administrative Analyst

Dated: 7/29/19

\_\_\_\_\_  
County Counsel – Risk Manager:

Dated: \_\_\_\_\_

  
Auditor-Controller <sup>2</sup>:

Dated: 7-25-19

<sup>1</sup> Approval by County Counsel is required, and/or when legal services are rendered

<sup>2</sup> Approval by Auditor-Controller is required

# EXHIBIT A

## Scope of Work

### 2.1 *Work Plan*

MCWRA requires fish monitoring services at various times throughout the year within the Salinas and Gabilan watersheds in Monterey and San Luis Obispo counties. Those services include the following tasks:

#### **TASK 1 - Smolt Outmigration Monitoring**

MCWRA uses rotary-screw traps to capture out migrating steelhead smolts. These data will be used to confirm the adequacy of block flow releases and the timing and abundance of smolts. Exact deployment locations will be determined based on, but not limited to, the following criteria: 1) minimum and maximum velocity requirements of the equipment as well as historic flow data at that site, 2) channel morphology, 3) and mooring/anchoring features such as bridges or stream banks.

Contractors will be responsible for all the project staffing requirements to accomplish the following:

- (1) Install and maintain RSTs at time/location to be determined
- (2) Remove, clean and prepare the RSTs for storage after season end
- (3) At a minimum, the following information will be recorded daily (when RST is in operation) from each monitoring device:
  - (a.) Measured length of any steelhead recovered
  - (b.) Weight of any steelhead recovered
  - (c.) External Condition of steelhead, which includes characteristics of progress of transition from freshwater parr stage to seawater tolerant smolt stage.
  - (d.) Fish Count and species count
  - (e.) Photograph of representative fish
  - (f.) Water quality data (SEC, DO, Temp, pH) collected at each site
  - (g.) Information relevant to the function of the screw traps (i.e., velocity of water entering the trap, timing of trap rotation, etc.)
  - (i) Number of steelhead pit tagged.
- (4) Provide report by August 1 that include:
  - (a.) A description of the project location(s)
  - (b.) Description of the sampling methods and protocols,
  - (c.) Results, conclusions and recommendations for possible improvements to future efforts,
  - (d.) All data collected during the monitoring in report and electronic format

## **TASK 2 – Adult Upstream Migration**

MCWRA owns a Vaki Riverwatcher System to perform the monitoring of adult steelhead upstream migration in the Salinas River. The contractor will be required to install and remove the Riverwatcher system, used in conjunction with a resistance board weir. Monitor and clean the weir on a regular basis to minimize debris loads as well as identify adult steelhead utilizing the Riverwater video and infrared images.

- (1) Install resistance board weir and Vaki Riverwatcher System in the Salinas River, normally near the SRDF in Marina, CA.
- (2) Monitor weir as necessary for debris and keep cleaned.
- (3) Using images captured by the Riverwatcher system, identify adult steelhead migrating upstream.
- (4) Remove, clean and prepare for storage Riverwatcher system and resistance board weir after monitoring season.
- (5) Provide report by June 1 that includes:
  - (a.) A description of the project location(s)
  - (b.) Description of the sampling methods and protocols,
  - (c.) Results, conclusions and recommendations for possible improvements to future efforts,
  - (d.) All data collected during the monitoring in report and electronic format

## **TASK 3 – Index-Reach Survey**

Contractors will provide properly permitted staff and equipment to perform index reach monitoring by electrofishing (depletion sampling), multipass dive counts or other methods approved by MCWRA. The contractor will:

- (1) Perform Index reach surveys on the San Antonio, Arroyo Seco and Nacimiento Rivers.
- (2) Surveys will be conducted utilizing either electrofishing (depletion surveys) or multi-pass dive counts. Conditions and direction from MCWRA (flow, visibility, etc.) during the sampling period will dictate which method will be utilized.
- (3) Provide report by December 1 that includes:
  - (a.) A description of the project location(s)
  - (b.) Description of the sampling methods and protocols,
  - (c.) Results, conclusions and recommendations for possible improvements to future efforts,
  - (d.) All data collected during the monitoring in report and electronic format



## **TASK 4 – Index Pit Tagging**

Contractor will install and maintain pit tag array(s) and report data collected.

## **TASK 5 – Index Lagoon Monitoring**

Contractor will perform fish monitoring as needed in the Salinas River Lagoon by seining or other methods approved by MCWRA.

## **TASK 6 - On-call Services**

Contractor will provide on-call services to MCWRA as requested. The need for these services may occur under emergency conditions, including inclement weather, and outside of normal business hours. If on-call services are requested, it will be billed on a time and materials basis as agreed upon between the Contractor and MCWRA.

## **Deliverables**

The Contractor will provide:

- Draft reports via e-mail 15 days prior to due date for MCWRA review and comment
- Final report in .pdf format
- Electronic data shall be readable using Microsoft Word, Excel, and/or Project
- Digital photos shall be 2048 X 1536 pixels at 72 pixels per inch or better and delivered in .JPEG format
- Upon MCWRA request, copies of pertinent collection permits
- Operations Plan prior to work beginning. The Operations Plan shall include, at a minimum:
  - Safety Plan
  - Standard Operating Procedures for data collection
  - Invasive Species Prevention Plan

# EXHIBIT B



1617 S. Yosemite Avenue • Oakdale, CA 95361 • Phone: (209) 847-6300 • Fax: (209) 847-1925

## 2019 HOURLY RATE SHEET

Hourly service rates are provided for each service category in the table below followed by a description of other charges which may be billed to your projects. Hourly rates will be pro-rated to the nearest ¼ hour (e.g., 15 minutes).

<i>Position</i>	<i>Rate</i>
Principal Biologist	\$180
Senior Biologist	\$160
Biologist 3	\$150
Biologist 2	\$140
Biologist 1/ Graphical Design	\$120
Technician 2	\$90
Technician 1	\$80
Office Assistant	\$70

Project specific expenses including, but not limited to, purchase of and repairs to rotary screw traps, weirs, and telemetry equipment; warning signs posted at monitoring sites; boat rental; travel costs (i.e., vehicle mileage and rental, gas for boats, and lodging), and specialty printing costs (i.e., posters, aerial photographs, brochures) will be charged at cost. Equipment expenses for pilot or highly specialized projects (e.g., telemetry studies) will also be charged at cost.

Subcontractor charges will be billed at cost plus 10% for services and at cost for all other expenses.

## **EXHIBIT C**

### **DELIVERABLES**

#### **Required Document Formats**

When required by this agreement, the following documents shall be delivered to the Agency project or contract administrator:

Administrative Draft of Report (for staff review)  
[one (1) MS Word and one (1) PDF]

Final Draft  
[one (1) MS Word and one (1) PDF]

Final Document  
[one (1) MS Word and one (1) PDF via email or USB drive]

All documents shall be provided digitally to the Agency in both Microsoft Word and PDF formats on a either via email or USB drive.

Following approval by staff of each final report all raw data collected, whether on not provided in the report shall be provided to the Agency in electronic form - (USB or portable hard drive, etc)



FISHINC-01

AMACKEY

## CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)

4/26/2019

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

**IMPORTANT:** If the certificate holder is an **ADDITIONAL INSURED**, the policy(ies) must have **ADDITIONAL INSURED** provisions or be endorsed. If **SUBROGATION IS WAIVED**, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

<b>PRODUCER</b> Omega Pacific Insurance Solutions 1016 12th Street Modesto, CA 95354	<b>CONTACT NAME:</b> Alicia Mackey <b>PHONE (A/C, No, Ext):</b> (209) 338-5500 214 <b>FAX (A/C, No):</b> (209) 338-5507 <b>E-MAIL ADDRESS:</b> Certificates@trustomega.com														
<b>INSURED</b>  FISHBIO INC. 1617 S. Yosemite Avenue Oakdale, CA 95361	<table border="1"><thead><tr><th>INSURER(S) AFFORDING COVERAGE</th><th>NAIC #</th></tr></thead><tbody><tr><td>INSURER A : Lloyd's of London</td><td></td></tr><tr><td>INSURER B : Hartford Fire Insurance Company</td><td>19682</td></tr><tr><td>INSURER C : Commerce and Industry Insurance Company</td><td>19410</td></tr><tr><td>INSURER D : Markel Insurance Company</td><td>38970</td></tr><tr><td>INSURER E :</td><td></td></tr><tr><td>INSURER F :</td><td></td></tr></tbody></table>	INSURER(S) AFFORDING COVERAGE	NAIC #	INSURER A : Lloyd's of London		INSURER B : Hartford Fire Insurance Company	19682	INSURER C : Commerce and Industry Insurance Company	19410	INSURER D : Markel Insurance Company	38970	INSURER E :		INSURER F :	
INSURER(S) AFFORDING COVERAGE	NAIC #														
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INSURER E :															
INSURER F :															

## COVERAGES

## CERTIFICATE NUMBER:

## REVISION NUMBER:

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR  GEN'L AGGREGATE LIMIT APPLIES PER: <input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC OTHER:	X		PGIARK0894700	8/24/2018	8/24/2019	EACH OCCURRENCE \$ 1,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 100,000 MED EXP (Any one person) \$ 10,000 PERSONAL & ADV INJURY \$ 1,000,000 GENERAL AGGREGATE \$ 2,000,000 PRODUCTS - COMP/OP AGG \$ 2,000,000 POLLUTION \$ 1,000,000
A	<input type="checkbox"/> AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO OWNED AUTOS ONLY <input checked="" type="checkbox"/> HIRED AUTOS ONLY <input checked="" type="checkbox"/> SCHEDULED AUTOS <input checked="" type="checkbox"/> NON-OWNED AUTOS ONLY	X		57UECVO2718	4/6/2019	4/6/2020	COMBINED SINGLE LIMIT (Ea accident) \$ 1,000,000 BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$ \$ \$
	<input type="checkbox"/> UMBRELLA LIAB <input type="checkbox"/> EXCESS LIAB DED RETENTION \$						EACH OCCURRENCE \$ AGGREGATE \$ \$
C	WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below Y/N Y N/A			WC012331412	2/16/2019	2/16/2020	<input checked="" type="checkbox"/> PER STATUTE <input type="checkbox"/> OTH-ER E.L. EACH ACCIDENT \$ 1,000,000 E.L. DISEASE - EA EMPLOYEE \$ 1,000,000 E.L. DISEASE - POLICY LIMIT \$ 1,000,000
C	USL&H Maritime			WC012331412	2/16/2019	2/16/2020	Employers Liability \$ 1,000,000
D	Ocean Marine			MTD00000338550	6/24/2018	6/24/2019	Watercraft \$ 1,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)  
Monterey County Water Resources Agency is named as Additional Insured with regards to General Liability and Auto Liability, endorsement included.

## CERTIFICATE HOLDER

## CANCELLATION

Monterey County Water Resources Agency  
Monterey County Contracts / Purchasing  
1488 Schilling Place  
Salinas, CA 93901

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE

Alicia Mackey

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

**ADDITIONAL INSURED – OWNERS, LESSEES OR  
CONTRACTORS – SCHEDULED PERSON OR  
ORGANIZATION**

This endorsement modifies insurance provided under the following:

**COMMERCIAL GENERAL LIABILITY COVERAGE PART**

**SCHEDULE**

<b>Name Of Additional Insured Person(s) Or Organization(s):</b>	<b>Location(s) Of Covered Operations</b>
Any person(s) or organization(s) whom the Named Insured agrees, in a written contract, to name as an Additional insured. However, this status exists only for the project specified in that contract.	
Information required to complete this Schedule, if not shown above, will be shown in the Declarations.	

A. Section II – Who Is An Insured is amended to include as an additional insured the person(s) or organization(s) shown in the Schedule, but only with respect to liability for "bodily injury", "property damage" or "personal and advertising injury" caused, in whole or in part, by:

1. Your acts or omissions; or
2. The acts or omissions of those acting on your behalf;  
in the performance of your ongoing operations for the additional insured(s) at the location(s) designated above.

B. With respect to the insurance afforded to these additional insureds, the following additional exclusions apply:

This insurance does not apply to "bodily injury" or "property damage" occurring after:

1. All work, including materials, parts or equipment furnished in connection with such work, on the project (other than service, maintenance or repairs) to be performed by or on behalf of the additional insured(s) at the location of the covered operations has been completed; or
2. That portion of "your work" out of which the injury or damage arises has been put to its intended use by any person or organization other than another contractor or subcontractor engaged in performing operations for a principal as a part of the same project.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

DESIGNATED INSURED FOR  
COVERED AUTOS LIABILITY COVERAGE

This endorsement modifies insurance provided under the following:

AUTO DEALERS COVERAGE FORM  
BUSINESS AUTO COVERAGE FORM  
MOTOR CARRIER COVERAGE FORM

With respect to coverage provided by this endorsement, the provisions of the Coverage Form apply unless modified by this endorsement.

This endorsement identifies person(s) or organization(s) who are "insureds" for Covered Autos Liability Coverage under the Who Is An Insured provision of the Coverage Form. This endorsement does not alter coverage provided in the Coverage Form.

This endorsement changes the policy effective on the inception date of the policy unless another date is indicated below.

<p><b>Named Insured:</b></p> <p><b>Endorsement Effective Date:</b></p>
--

SCHEDULE

<p><b>Name Of Person(s) Or Organization(s):</b></p> <p>MONTERREY COUNTY WATER RESOURCES AGENCY 893 BLANCO CIRCLE SALINAS, CA 93901</p>
<p>Information required to complete this Schedule, if not shown above, will be shown in the Declarations.</p>

Each person or organization shown in the Schedule is an "insured" for Covered Autos Liability Coverage, but only to the extent that person or organization qualifies as an "insured" under the Who Is An Insured provision contained in Paragraph A.1. of Section II – Covered Autos Liability Coverage in the Business Auto and Motor Carrier Coverage Forms and Paragraph D.2. of Section I – Covered Autos Coverages of the Auto Dealers Coverage Form.



# **Monterey County Board of Supervisors of the Water Resources Agency**

168 West Alisal Street,  
1st Floor  
Salinas, CA 93901  
[www.co.monterey.ca.us](http://www.co.monterey.ca.us)

## **Board Order**

A motion was made by Supervisor Luis A. Alejo, seconded by Supervisor Chris Lopez to:

- a. Approve a three-year Professional Services Agreement with FISHBIO Corporation; and
- b. Authorize the General Manager to execute the Agreement.

PASSED AND ADOPTED on this 25th day of June 2019, by the following vote, to wit:

AYES: Supervisors Alejo, Phillips, Lopez, Parker and Adams

NOES: None

ABSENT: None

I, Valerie Ralph, Clerk of the Board of Supervisors of the County of Monterey, State of California, hereby certify that the foregoing is a true copy of an original order of said Board of Supervisors duly made and entered in the minutes thereof of Minute Book 82 for the meeting June 25, 2019.

Dated: June 26, 2019  
File ID: WRAG 19-080  
Agenda Item No. 1

Valerie Ralph, Clerk of the Board of Supervisors  
County of Monterey, State of California

Joel G. Pablo/ Deputy



*Before the Board of Directors of the Monterey County Water Resources Agency  
County of Monterey, State of California*

BOARD ORDER No. 19-018

APPROVE AND RECOMMEND THAT THE MONTEREY )  
COUNTY WATER RESOURCES AGENCY BOARD OF )  
SUPERVISORS APPROVE A THREE-YEAR PROFESSIONAL )  
SERVICES AGREEMENT WITH FISHBIO AND )  
AUTHORIZE THE GENERAL MANAGER TO EXECUTE THE )  
AGREEMENT )

Upon motion of Director Smith, and seconded by Director LeBarre, and carried by those members present, the Board of Directors hereby:

- a. Approves and recommends that the Monterey County Water Resources Agency Board of Supervisors approve a three-year Professional Services Agreement with FISHBIO Corporation, and that Fund 134 be utilized this fiscal year to fund the Agreement with the understanding that it be reimbursed with the additional funding currently being sought for the HCP and ongoing monitoring processes; and
- b. Authorize the General Manager to execute the Agreement.

PASSED AND ADOPTED on this 20<sup>th</sup> day of May 2019 by the following vote, to-wit:

AYES: Directors Gonzalez, Sullivan, Ekelund, Ortiz, Scattini, LeBarre, Baillie, Smith and Simis

NOES: None

ABSENT: None

A handwritten signature in black ink, appearing to read "Mark Gonzales", written over a horizontal line.

BY: Mark Gonzales, Chair  
Board of Directors

A handwritten signature in black ink, appearing to read "Shauna Lorange", written over a horizontal line.

ATTEST: Shauna Lorange  
Interim General Manager



**County of Monterey**  
**Contracts/Purchasing Department**  
**JUSTIFICATION OF SOLE SOURCE/SOLE BRAND REQUEST**

Purchase Requisition Number \_\_\_\_\_ Date March 13, 2019 \_\_\_\_\_

Description of Item: Physical assessment and biological monitoring assessment for Salinas River Stream Maintenance Program.

1. Please indicate the following:

Procurement: ☐ Goods  
☒ Services

(Check One)

☐ Sole Source: Item is available from one source only. Item is a one-of-a kind and is not sold through distributors. Manufacturer is exclusive distributor.

☐ Sole Brand: Various sources can supply the specified model and brand and competitive bids will be solicited for the requested brand only. Meets form, fit and function- nothing else will do.

Note: Sole Source/Sole Brand Requests are not maintained as a standing request. Each request is for a single one-time purchase only.

2. Vendor Selection:

☐ Preferred Vendor  
☒ Sole Source

Vendor Name: FISHBIO\_\_\_\_\_  
Address: 1617 S. Yosemite Ave. City: Oakdale State: CA 95361  
Phone Number: (209) 847-63007 Fax: (\_\_\_\_\_)\_\_\_\_\_  
Contact Person: Doug Demko Title: President  
Federal Employer # \_\_\_\_\_

3. Provide a brief description of the goods/services to be purchased and why this purchase is being proposed under a sole source acquisition.

a) Why were product and/or vendor chosen?

The vendor is currently monitoring Salinas River Watershed and has built customized equipment to be deployed on an annual basis. They have previously acquired data and will be able to analyze and process that data in conjunction with additional data

collected under the contract. FISHBIO has unique project knowledge and understanding that benefits MCWRA.

- b) What are the unique performance features of the product/brand requested that are not available in any other product/brand? For Services: what unique qualifications, rights, and licenses does the vendor possess to qualify as a sole source/brand request?

The vendor is well versed in the program, permit requirements, unique watershed conditions, MCWRA's specific needs and has vast project history and knowledge. The vendor has skills necessary to install and operate the customized monitoring equipment, that would be very difficult to transfer to another vendor.

- c) Why are these specific features/qualifications required?

The program requires specific, focused permits and knowledge for implementation. The vendor has been involved with the program for over seven years and has considerable background information and technical information specific to the project areas.

- d) What other products/services have been examined and/or rejected?

Hiring a different biological consultant was reviewed, but other consultants can not bring the project history and understanding that FISHBIO possesses.

- e) Why are other sources providing like goods or services unacceptable (please give a full meaningful explanation)?

The project area is over 100 miles of river channel and is unique system with limited data available. It would be very costly for another vendor to develop the necessary knowledge to adequately implement and support the program. The permit requirements are very complicated since there are many agencies (State and Federal) involved. Getting some one up to speed in the limited time line would be a challenge and extraordinarily expensive.

- f) What are the unique performance features REQUIRED (not merely preferred), and how would your requirement be inhibited without this particular item or service?

A solid and relevant understanding of the multiple facets of this project and MCWRA needs, U.S. Fish and Wildlife Service-approved biologists, familiarity with hundreds of program-specific permit requirements, and access to existing program-specific data.

- g) Estimated Costs: \$300,000

4. Is there an unusual or compelling urgency associated with this project?

X No  
Yes (Please describe)

**THE FOLLOWING TO BE COMPLETED BY THE REQUESTOR**

I hereby certify that:

1. I am an approved department representative and am aware of the County's requirements for competitive bidding, as well as the criteria for justification for sole source/brand purchasing.
2. I have gathered the required technical information and have made a concentrated effort to review comparable and/or equal equipment.
3. The information contained herein is complete and accurate.
4. There is justification for sole source/brand purchasing noted above as it meets the County's criteria.
5. A sole source/brand purchase in this case would withstand a possible audit or a vendor's protest.

  
Requestors Signature

MAY 10, 2019  
Date

  
Authorized Signature by Department Head

5/13/19  
Date

  
Contracts/Purchasing Officer

5/13/19  
Date

**AMENDMENT #1  
TO THE  
AGREEMENT BY AND BETWEEN  
MONTEREY COUNTY WATER RESOURCES AGENCY AND  
FISHBIO**

**THIS AMENDMENT NO. 1** is made to the PROFESSIONAL SERVICES AGREEMENT for the provision of a time extension by and between **FISHBIO**, hereinafter “CONTRACTOR”, and the Monterey County Water Resources Agency, a political subdivision of the State of California, hereinafter referred to as “Agency”.

**WHEREAS**, the Agency and CONTRACTOR wish to amend the AGREEMENT to reflect the Agency’s exercise of the option to extend for three (3) additional years.

**NOW THEREFORE**, the Agency and CONTRACTOR hereby agree to amend the AGREEMENT in the following manner:

**1. Amend Section 2. Term of Agreement to read as follows:**

Term of Agreement. The Term of this Agreement shall begin on June 30, 2019, by CONTRACTOR and Agency, and will terminate on **June 30, 2025**, unless earlier terminated as provided herein.

2. Except as provided herein, all remaining terms, conditions and provisions of the AGREEMENT are unchanged and unaffected by this AMENDMENT and shall continue in full force and effect as set forth in the AGREEMENT.
3. This Amendment No. 1 shall be attached to the Agreement and incorporated therein as if fully set forth in the Agreement.

*This space left blank intentionally*

**IN WITNESS WHEREOF**, the parties have executed this AMENDMENT NO. 1 on the day and year written below.

MONTEREY COUNTY WATER  
RESOURCES AGENCY

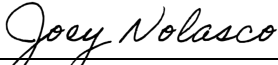
CONTRACTOR



General Manager

Dated: E - signed 3/10/2022

*Approved as to Fiscal Provisions:*



Deputy Auditor/Controller

Dated: 3/10/22

*Approved as to Liability Provisions:*

Risk Management

Dated:

*Approved as to Form:*



Assistant County Counsel

Dated: March 9, 2022

By: 

Signature of Chair, President, or  
Vice-President

Andrea Fuller, Vice President

Printed Name and Title

Dated: 3/3/2022

By: 

(Signature of Secretary, Asst. Secretary, CFO,  
Treasurer or Asst. Treasurer)\*

Andrea Fuller, Secretary

Printed Name and Title

Dated: 3/3/2022

\*INSTRUCTIONS: If CONTRACTOR is a corporation, including limited liability and non-profit corporations, the full legal name of the corporation shall be set forth above together with the signatures of two specified officers. If CONTRACTOR is a partnership, the name of the partnership shall be set forth above together with the signature of a partner who has authority to execute this Agreement on behalf of the partnership. If CONTRACTOR is contracting in an individual capacity, the individual shall set forth the name of the business, if any, and shall personally sign the Agreement.

**AMENDMENT #2  
TO THE AGREEMENT BY AND BETWEEN  
MONTEREY COUNTY WATER RESOURCES AGENCY AND  
FISHBIO**

**THIS AMENDMENT NO. 2** is made to the PROFESSIONAL SERVICES AGREEMENT by and between **FISHBIO**, hereinafter “CONTRACTOR”, and the Monterey County Water Resources Agency, a political subdivision of the State of California, hereinafter referred to as “Agency”.

**WHEREAS**, the Agency and CONTRACTOR entered into an Agreement for Services with the Agency on June 30, 2019, and processed Amendment No. 1 to the agreement on March 10, 2022; and

**WHEREAS**, the Agency and CONTRACTOR wish to amend the AGREEMENT to reflect the Agency’s exercise of the option to extend for three (3) additional years.

**NOW THEREFORE**, the Agency and CONTRACTOR hereby agree to amend the AGREEMENT in the following manner:

**1. Amend Section 2. Term of Agreement to read as follows:**

Term of Agreement. The Term of this Agreement shall begin on June 30, 2019, by CONTRACTOR and Agency, and will terminate on **June 30, 2028**, unless earlier terminated as provided herein.

2. Except as provided herein, all remaining terms, conditions and provisions of the AGREEMENT are unchanged and unaffected by this AMENDMENT and shall continue in full force and effect as set forth in the AGREEMENT.
3. This Amendment No. 2 shall be attached to the Agreement and incorporated therein as if fully set forth in the Agreement.

*This space left blank intentionally*

**IN WITNESS WHEREOF**, the parties have executed this AMENDMENT NO. 2 on the day and year written below.

**MONTEREY COUNTY WATER  
RESOURCES AGENCY**

**CONTRACTOR: FishBio**

\_\_\_\_\_  
General Manager

\_\_\_\_\_  
By:  
Signature of Chair, President, or  
Vice-President

\_\_\_\_\_  
Dated:

\_\_\_\_\_  
Printed Name and Title

*Approved as to Fiscal Provisions:*

\_\_\_\_\_  
Dated:

\_\_\_\_\_  
Deputy Auditor/Controller

\_\_\_\_\_  
By:  
(Signature of Secretary, Asst. Secretary, CFO,  
Treasurer or Asst. Treasurer)\*

\_\_\_\_\_  
Dated:

*Approved as to Liability Provisions:*

\_\_\_\_\_  
Printed Name and Title

\_\_\_\_\_  
Risk Management

\_\_\_\_\_  
Dated:

\_\_\_\_\_  
Dated:

*Approved as to Form:*

\_\_\_\_\_  
Chief Assistant County Counsel

\_\_\_\_\_  
Dated:

**\*INSTRUCTIONS:** If CONTRACTOR is a corporation, including limited liability and non-profit corporations, the full legal name of the corporation shall be set forth above together with the signatures of two specified officers. If CONTRACTOR is a partnership, the name of the partnership shall be set forth above together with the signature of a partner who has authority to execute this Agreement on behalf of the partnership. If CONTRACTOR is contracting in an individual capacity, the individual shall set forth the name of the business, if any, and shall personally sign the Agreement.



# County of Monterey

## Item No.4

### Board Report

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

**Legistar File Number: WRAFIN 25-044**

**May 02, 2025**

**Introduced:** 4/24/2025

**Current Status:** Agenda Ready

**Version:** 1

**Matter Type:** WRA Finance Item

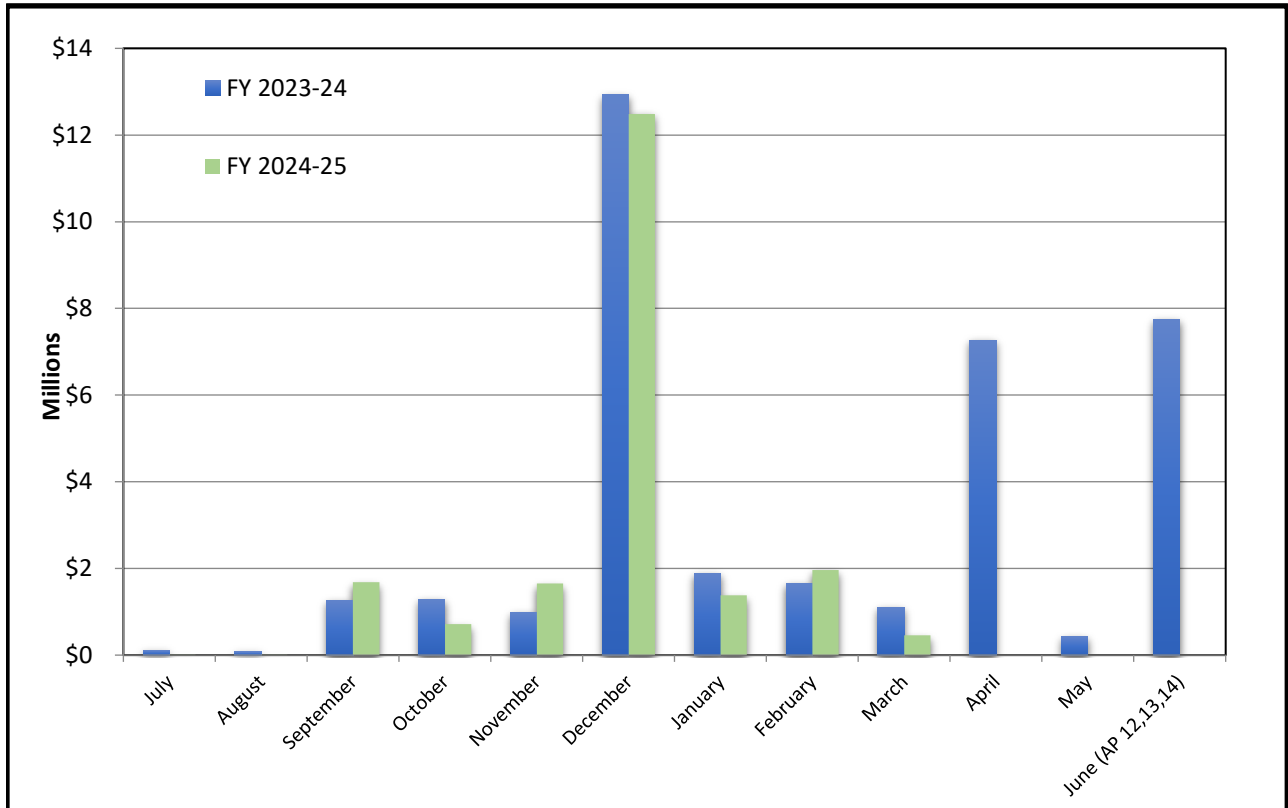
Consider receiving the Feb 2025 Financials for All Agency Funds. (Staff Presenting: Nora Cervantes)



**Monterey County**  
**Water Resources Agency**  
**FY 2024-25 FINANCIAL STATUS REPORT**

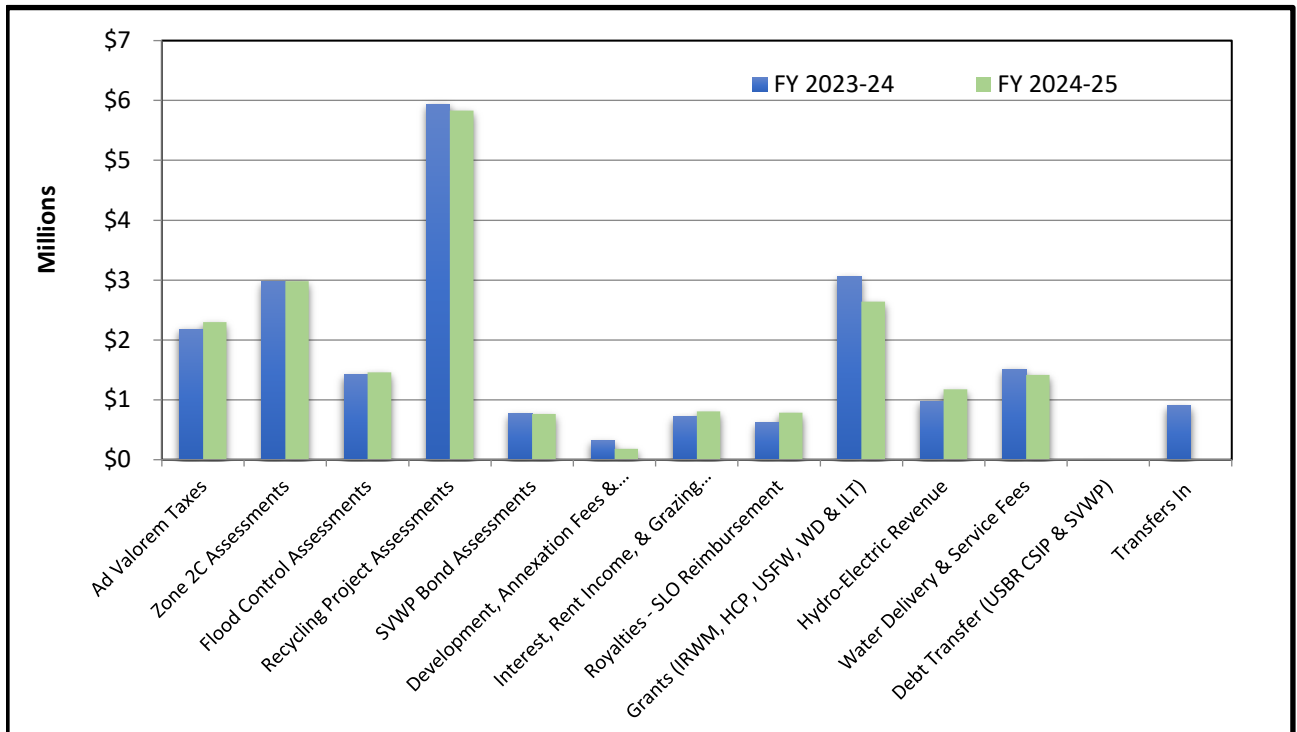
**YTD Actual Revenues**

Month By Month Revenues				
	FY 2023-24	% Received	FY 2024-25	% Received
July	114,716	0.2%	7,045	0.0%
August	83,663	0.4%	4,028	0.0%
September	1,270,376	2.9%	1,681,142	4.0%
October	1,286,447	5.5%	715,871	5.7%
November	983,161	7.5%	1,652,130	9.6%
December	12,927,380	33.3%	12,483,369	39.2%
January	1,892,375	37.0%	1,382,720	42.5%
February	1,654,655	40.3%	1,962,815	47.2%
March	1,109,794	42.6%	458,368	48.3%
April	7,270,605	57.1%	-	
May	429,258	57.9%	-	
June (AP 12,13,14)	7,746,346	73.4%	-	
<b>YEAR TO DATE ACTUAL:</b>	<b>36,768,776</b>	<b>73.4%</b>	<b>20,347,487</b>	<b>48.3%</b>
<b>Budgeted Amount</b>	<b>50,097,830</b>		<b>42,154,850</b>	



**Monterey County**  
**Water Resources Agency**  
**FY 2024-25 FINANCIAL STATUS REPORT**  
**YTD Revenues by Source**

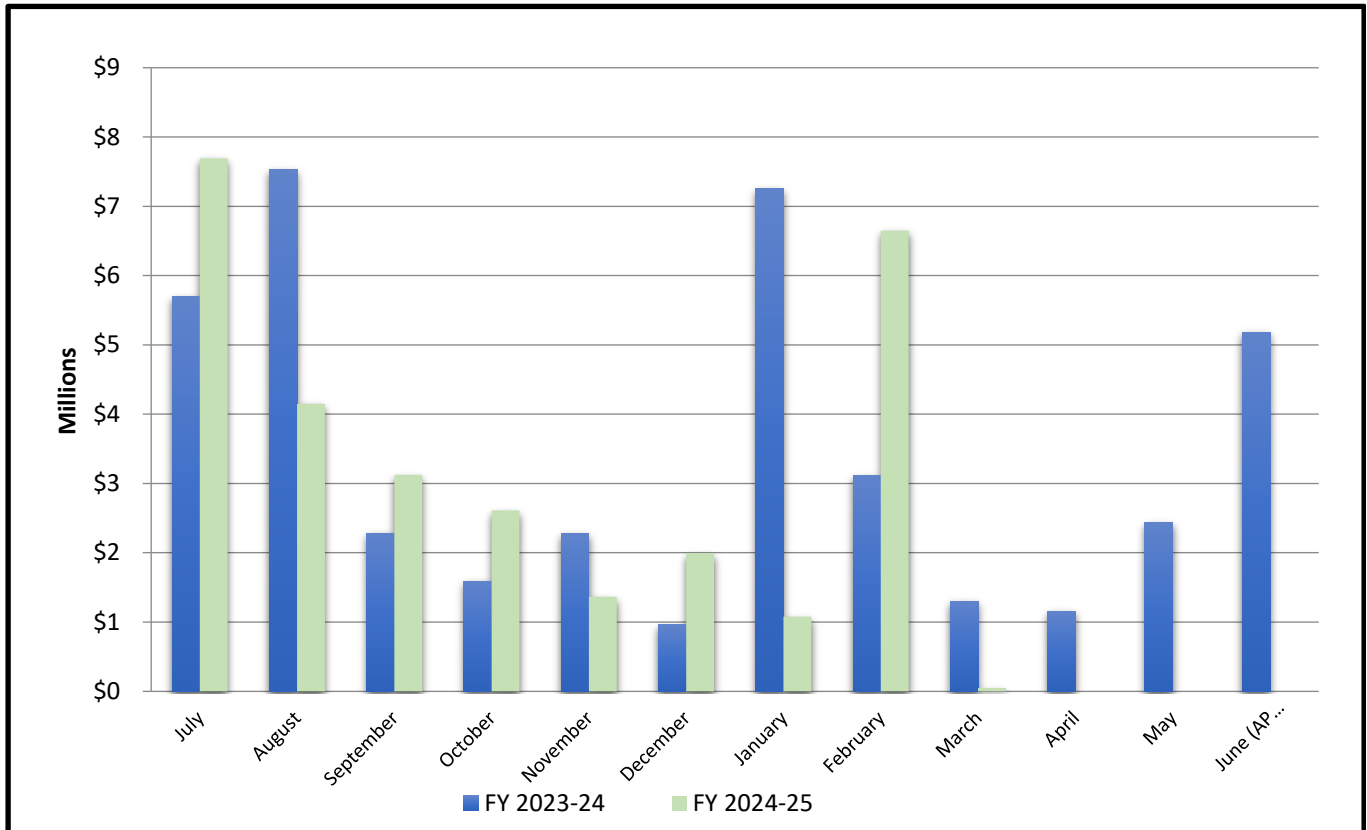
Through Accounting Period 09 - Mar 31		
	FY 2023-24	FY 2024-25
Ad Valorem Taxes	2,179,746	2,297,425
Zone 2C Assessments	2,976,423	2,983,939
Flood Control Assessments	1,415,932	1,460,418
Recycling Project Assessments	5,938,597	5,830,691
SVWP Bond Assessments	771,115	764,379
Development, Annexation Fees & Other	314,891	181,819
Interest, Rent Income, & Grazing Leases	714,391	807,047
Royalties - SLO Reimbursement	614,071	786,699
Grants (IRWM, HCP, USFW, WD & ILT)	3,060,221	2,642,499
Hydro-Electric Revenue	975,635	1,177,156
Water Delivery & Service Fees	1,509,052	1,415,416
Debt Transfer (USBR CSIP & SVWP)	0	0
Transfers In	900,000	0
<b>YEAR TO DATE TOTAL:</b>	<b>21,370,073</b>	<b>20,347,487</b>



**Monterey County**  
**Water Resources Agency**  
**FY 2024-25 FINANCIAL STATUS REPORT**

**YTD Actual Expenditures**

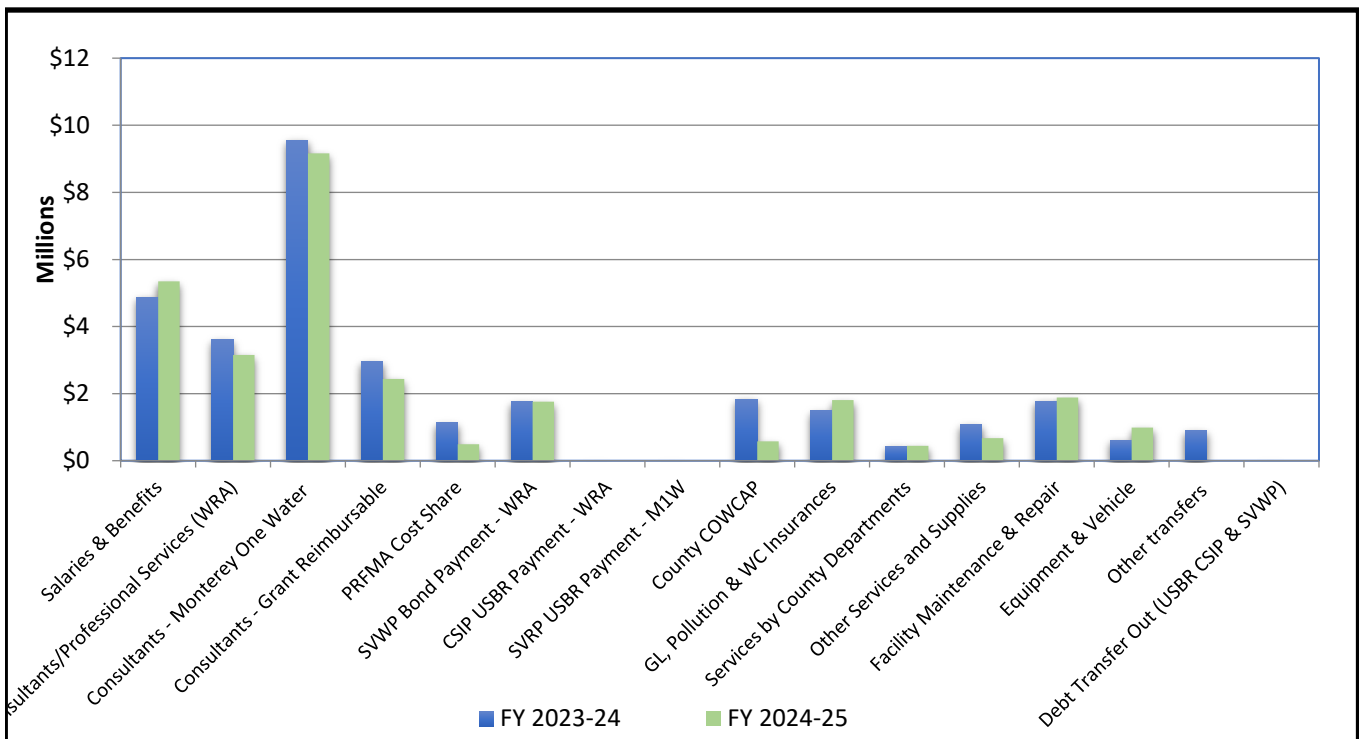
Month By Month Expenditures				
	FY 2023-24	% Expended	FY 2024-25	% Expended
July	5,695,222	10.4%	7,692,836	15.8%
August	7,527,945	24.1%	4,149,850	24.3%
September	2,284,563	28.3%	3,125,338	30.7%
October	1,587,257	31.2%	2,612,806	36.1%
November	2,274,369	35.3%	1,364,959	38.9%
December	959,125	37.1%	1,996,632	43.0%
January	7,252,017	50.3%	1,076,537	45.2%
February	3,111,824	55.9%	6,650,206	58.8%
March	1,301,308	58.3%	49,849	58.9%
April	1,153,394	60.4%	-	
May	2,431,439	64.9%	-	
June (AP 12,13,14)	5,185,761	74.3%	-	
<b>YEAR TO DATE ACTUAL:</b>	<b>40,764,223</b>	<b>74.3%</b>	<b>28,719,013</b>	<b>58.9%</b>
<b>Budgeted Amount</b>	<b>54,860,209</b>		<b>48,759,795</b>	



**Monterey County**  
**Water Resources Agency**  
**FY 2024-25 FINANCIAL STATUS REPORT**

**YTD Expenditures by Type**

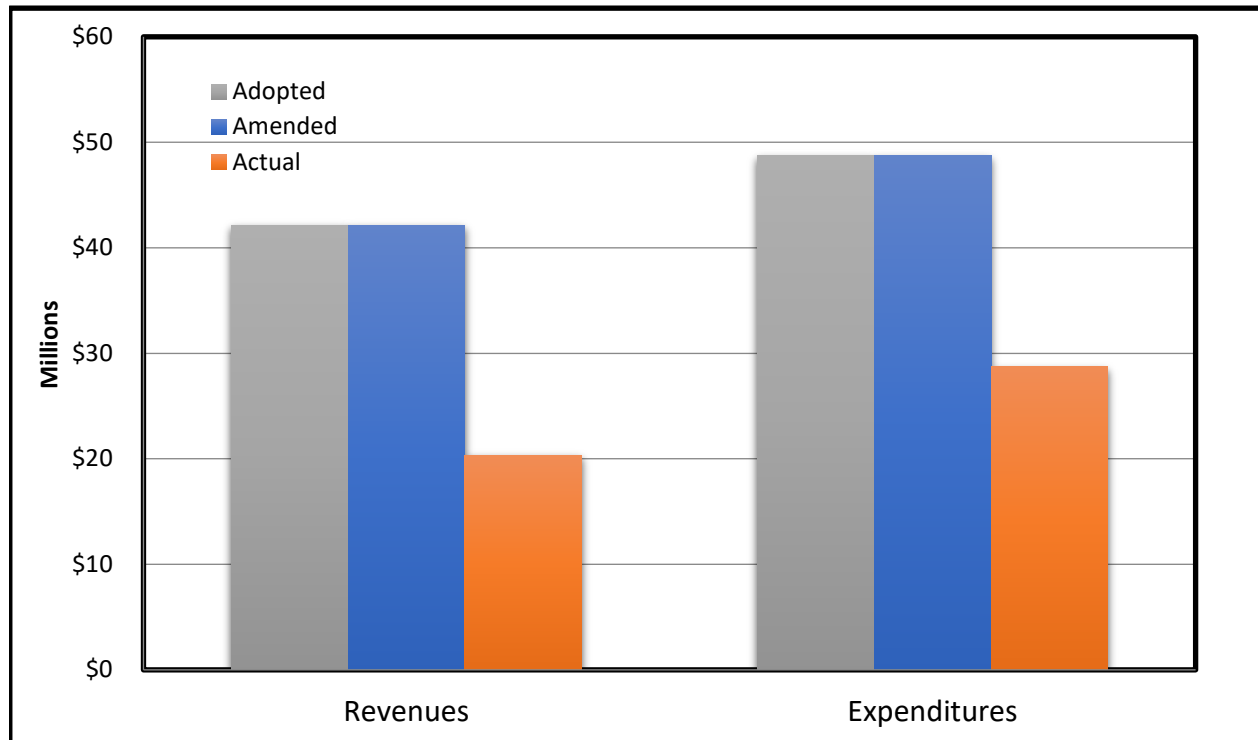
Through Accounting Period 09 - Mar 31		
	FY 2023-24	FY 2024-25
Salaries & Benefits	4,875,766	5,342,190
Consultants/Professional Services (WRA)	3,606,983	3,157,047
Consultants - Monterey One Water	9,557,314	9,163,033
Consultants - Grant Reimbursable	2,960,827	2,440,774
PRFMA Cost Share	1,125,272	491,511
SVWP Bond Payment - WRA	1,755,338	1,756,213
CSIP USBR Payment - WRA	-	0
SVRP USBR Payment - M1W	-	0
County COWCAP	1,829,892	573,662
GL, Pollution & WC Insurances	1,489,571	1,810,935
Services by County Departments	424,856	441,130
Other Services and Supplies	1,080,340	673,303
Facility Maintenance & Repair	1,776,181	1,880,529
Equipment & Vehicle	611,290	988,687
Other transfers	900,000	0
Debt Transfer Out (USBR CSIP & SVWP)	-	0
<b>YEAR TO DATE TOTAL:</b>	<b>31,993,630</b>	<b>28,719,013</b>



**MONTEREY COUNTY  
WATER RESOURCES AGENCY  
FY 2024-25 FINANCIAL STATUS REPORT**

For Month Ending: March 31, 2025

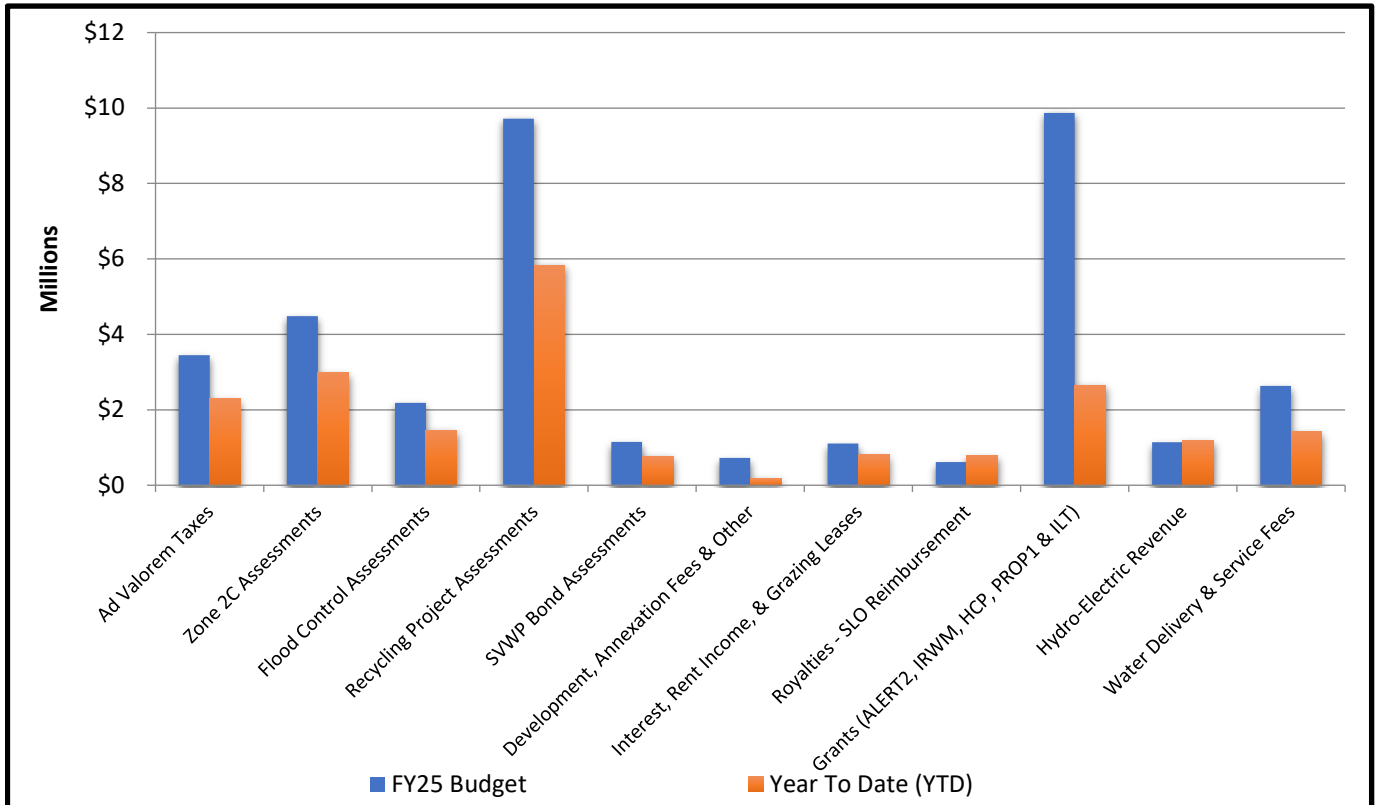
Budget Variance Analysis		
Category	Approved Budget	YTD Actual
Beginning Available Fund Balance	20,816,729	20,816,729
Revenues	42,154,850	20,347,487
Expenditures	48,759,795	28,719,013
<b>Ending Available Fund Balance</b>	<b>14,211,784</b>	<b>12,445,203</b>



**MONTEREY COUNTY**  
**WATER RESOURCES AGENCY**  
**FY 2024-25 FINANCIAL STATUS REPORT**

**Revenue Variance**

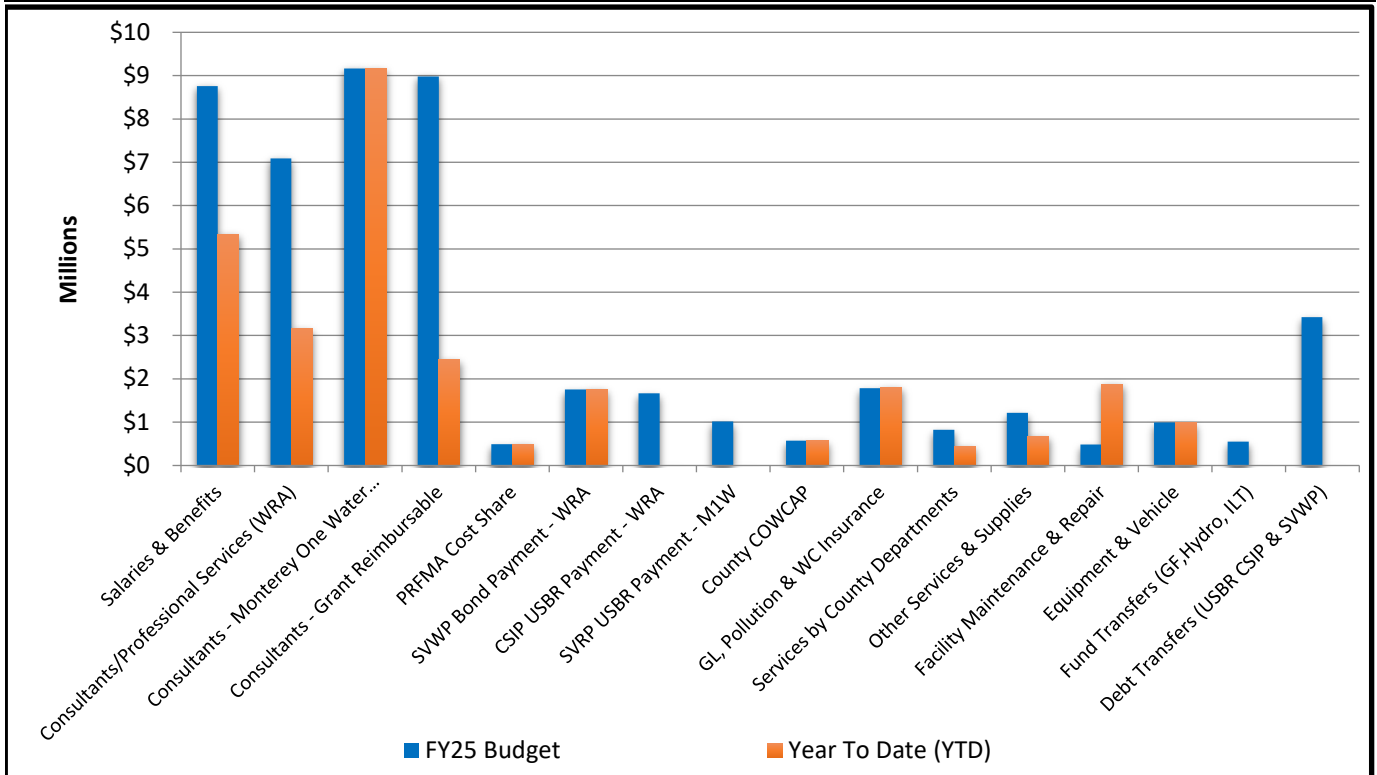
Revenue Variance by Source				
	FY25 Budget	% of Adopted	Year To Date (YTD)	% of YTD vs. Budget
Ad Valorem Taxes	3,447,294	8.2%	2,297,425	66.6%
Zone 2C Assessments	4,485,633	10.6%	2,983,939	66.5%
Flood Control Assessments	2,187,167	5.2%	1,460,418	66.8%
Recycling Project Assessments	9,717,747	23.1%	5,830,691	60.0%
SVWP Bond Assessments	1,145,102	2.7%	764,379	66.8%
Development, Annexation Fees & Other	721,489	1.7%	181,819	25.2%
Interest, Rent Income, & Grazing Leases	1,107,175	2.6%	807,047	72.9%
Royalties - SLO Reimbursement	614,070	1.5%	786,699	128.1%
Grants (ALERT2, IRWM, HCP, PROP1 & ILT)	9,869,900	23.4%	2,642,499	26.8%
Hydro-Electric Revenue	1,140,961	2.7%	1,177,156	103.2%
Water Delivery & Service Fees	2,629,626	6.2%	1,415,416	53.8%
Transfers In (from other Agency Funds)	1,664,474	3.9%	0	0.0%
Debt Transfer (USBR CSIP & SVWP)	3,424,213	8.1%	0	0.0%
<b>TOTAL:</b>	<b>42,154,850</b>	<b>100.0%</b>	<b>20,347,487</b>	<b>48.3%</b>



**MONTEREY COUNTY  
WATER RESOURCES AGENCY  
FY 2024-25 FINANCIAL STATUS REPORT**

**Expenditure Variance**

<b>Expenditure Variance by Type</b>				
	<b>FY25 Budget</b>	<b>% of Adopted</b>	<b>Year To Date (YTD)</b>	<b>% of YTD vs. Budget</b>
Salaries & Benefits	8,755,473	18.0%	5,342,190	61.0%
Consultants/Professional Services (WRA)	7,089,275	14.5%	3,157,047	44.5%
Consultants - Monterey One Water Contract Fee	9,163,033	18.8%	9,163,033	100.0%
Consultants - Grant Reimbursable	8,980,000	18.4%	2,440,774	27.2%
PRFMA Cost Share	494,778	1.0%	491,511	99.3%
SVWP Bond Payment - WRA	1,756,213	3.6%	1,756,213	100.0%
CSIP USBR Payment - WRA	1,668,000	3.4%	0	0.0%
SVRP USBR Payment - M1W	1,016,000	2.1%	0	0.0%
County COWCAP	573,662	1.2%	573,662	100.0%
GL, Pollution & WC Insurance	1,781,691	3.7%	1,810,935	101.6%
Services by County Departments	823,171	1.7%	441,130	53.6%
Other Services & Supplies	1,212,157	2.5%	673,303	55.5%
Facility Maintenance & Repair	481,315	1.0%	1,880,529	390.7%
Equipment & Vehicle	991,340	2.0%	988,687	99.7%
Fund Transfers (GF,Hydro, ILT)	549,474	1.1%	0	0.0%
Debt Transfers (USBR CSIP & SVWP)	3,424,213	7.0%	0	0.0%
<b>TOTAL:</b>	<b>48,759,795</b>	<b>100.0%</b>	<b>28,719,013</b>	<b>58.9%</b>



# FY 2024-25 WRA Fund Balances

For Month Ending: March 31, 2025

% Monthly Time Elapsed: 100.00%

			FY2024-25 BUDGET				YEAR-TO-DATE Actual					
Fund	Unit	Fund Name	Beginning Fund Balance	Adopted Budget Expenditures	Adopted Budget Revenue	Estimated Ending Fund Balance	YTD Actual Expenditures	Percent Budget Expended	YTD Actual Revenue	Percent Budget Received	Estimated Current Fund Balance	Fund
111	8267	WRA Administration	4,241,073	6,962,120	5,286,612	2,565,565	2,481,648	35.6%	3,286,294	62.2%	5,045,719	111
112	8484	Pajaro Levee	963,440	1,045,000	1,040,356	958,796	715,992	68.5%	884,133	85.0%	1,131,581	112
116	8485	Dam Operations	1,700,407	15,877,607	12,984,201	(1,192,999)	7,951,468	50.1%	5,636,567	43.4%	(614,495)	116
121	8486	Soledad Storm Drain	303,708	129,292	108,542	282,958	40,192	31.1%	60,528	55.8%	324,044	121
122	8487	Reclamation Ditch	1,301,112	1,968,504	2,040,285	1,372,893	1,750,571	88.9%	955,346	46.8%	505,887	122
124	8488	San Lorenzo Creek	36,598	254,482	246,811	28,927	33,215	13.1%	28,139	11.4%	31,523	124
127	8489	Moro Cojo Slough	411,271	582,491	322,261	151,041	194,336	33.4%	68,522	21.3%	285,457	127
130	8490	Hydro-Electric Ops	2,077,882	1,104,323	1,177,727	2,151,286	874,231	79.2%	1,206,104	102.4%	2,409,755	130
131	8491	CSIP Operations	2,439,324	7,133,033	6,163,072	1,469,363	4,124,519	57.8%	2,858,666	46.4%	1,173,472	131
132	8492	SVRP Operations	2,655,387	6,187,071	5,726,571	2,194,887	5,171,132	83.6%	3,818,772	66.7%	1,303,026	132
134	8493	SRDF Operations	2,669,678	3,717,282	3,595,965	2,548,361	3,342,739	89.9%	1,528,750	42.5%	855,689	134
303	8267	CSIP Debt Service	770,672	1,668,000	1,668,000	770,672	0	0.0%	0	0.0%	770,672	303
313	8494	Debt Services	1,036,746	1,756,213	1,756,213	1,036,746	1,756,213	100.0%	2,554	0.1%	(716,912)	313
426	8495	Interlake Tunnel	209,431	374,377	38,234	(126,712)	282,757	75.5%	13,112	34.3%	(60,214)	426
TOTAL:			20,816,729	48,759,795	42,154,850	14,211,784	28,719,013	58.9%	20,347,487	48.3%	12,445,203	





# County of Monterey

## Item No.5

### Board Report

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

Legistar File Number: WRAFIN 25-047

May 02, 2025

Introduced: 4/24/2025

Current Status: Agenda Ready

Version: 1

Matter Type: WRA Finance Item

Consider receiving a summary report to recommend that the Monterey County Water Resources Agency Board of Directors:

- a. consider approving 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. consider requesting the Chair of the Monterey County Water Resources Agency Board of Supervisors to execute the Amendment. (Staff Presenting: Shaunna Murray)

#### RECOMMENDATION:

It is recommended that Finance Committee consider receiving a summary report to recommend that the Monterey County Water Resources Agency Board of Directors:

- a. Consider approving 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. Consider requesting the Chair of the Monterey County Water Resources Agency Board of Supervisors to execute the Amendment.

#### SUMMARY/DISCUSSION:

The Monterey County Water Resources Agency (Agency) and Monterey One Water (M1W), formerly known as Monterey Regional Water Pollution Control Agency (MRWPCA), entered into an Amended and Restated Water Recycling Agreement (Agreement) on November 3, 2015, to incorporate and restate agreements that had been developed over the years since the establishment of the Castroville Seawater Intrusion Project ("CSIP"), the Salinas Valley Reclamation Project ("SVRP"), and the Salinas River Diversion Facility ("SRDF"). Subsequently, there have been three minor amendments to the Agreement related to the New Source Water Facilities.

In 2023, at the Agency's request, the County of Monterey Auditor-Controller's Office engaged GPP Analytics (GPP) to conduct a financial audit ("Audit") to assess the accuracy and compliance of expenses reported by M1W reported over four fiscal years (FY 2018-19 to FY 2021-22) in accordance with the Agreement.

The Audit's objectives were to evaluate M1W's expenses for compliance with the provisions of the Agreement. This work was completed through verifying if expenses for the SVRP, CSIP, and the SRDF were reasonably incurred, verifying direct and indirect costs were accurately documented, and assessing financial systems and internal controls. The Audit aimed to verify proper record keeping,

accurate reporting, accurate reconciliations, and compliance with the Agreement overall. The Audit resulted in seven (7) findings and recommendations by GPP to address them.

In September 2024, 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.

Amendment No. 4 revises Sections 7 and 8, which address budgets, payments, reports and annual reconciliation process. The proposed changes include requirements of distinct individual funds for CSIP, SVRP and SRDF, performing a separate annual financial audit, separating budgets of operations & maintenance (O&M) and capital improvement projects (CIP), requiring progress reports of O&M and CIP projects, and changing payment methods for CIP projects. The amendment clarifies due dates, roles and responsibilities of both parties so that appropriate financial system and internal controls are in place to effectively record, monitor, and allocate expense in accordance with the Agreement.

OTHER AGENCY INVOLVEMENT:

Monterey One Water participated in the preparation of Amendment No. 4.

FINANCING:

This proposed Amendment No. 4 does not have a financial impact to the FY2024-25 Adopted and FY2025-26 Recommended Budget.

The Amendment 4 will change payment schedules for CIP. Instead of previous two-installment methods, payments for CIP will be issued based on project status and cash flow projections. There is no change to O&M payment schedules.

Prepared by: Shaunna Murry, Deputy General Manager

Approved by: Ara Azhderian, General Manager, (831)755-4860

Attachments:

1. Amended and Restated Water Recycling Agreement & Amendments
2. GPP Audit Report



# County of Monterey

Item No.

## Board Report

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

Legistar File Number: WRAFIN 25-047

May 02, 2025

Introduced: 4/24/2025

Current Status: Agenda Ready

Version: 1

Matter Type: WRA Finance Item

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- a. consider approving 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
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### RECOMMENDATION:

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- a. Consider approving 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
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OTHER AGENCY INVOLVEMENT:

Monterey One Water participated in the preparation of Amendment No. 4.

FINANCING:

This proposed Amendment No. 4 does not have a financial impact to the FY2024-25 Adopted and FY2025-26 Recommended Budget.

The Amendment 4 will change payment schedules for CIP. Instead of previous two-installment methods, payments for CIP will be issued based on project status and cash flow projections. There is no change to O&M payment schedules.

Prepared by: Shaunna Murry, Deputy General Manager

Approved by: Ara Azhderian, General Manager, (831)755-4860

Attachments:

1. Amended and Restated Water Recycling Agreement & Amendments
2. GPP Audit Report

**Amended and Restated Water Recycling Agreement Between  
Monterey Regional Water Pollution Control Agency and  
Monterey County Water Resources Agency**



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**THIS AMENDED AND RESTATED AGREEMENT** [hereinafter referred to as “**Water Recycling Agreement**”] is made and entered into this 3<sup>rd</sup> day of November 2015, “Effective Date,” by and between Monterey Regional Water Pollution Control Agency (“PCA”) and Monterey County Water Resources Agency (“WRA”), hereinafter collectively the “Parties” or individually a “Party.”

The PCA was formed as a California Joint Powers Agency by a Joint Exercise of Powers Agreement for the Monterey Regional Water Pollution Control Agency, effective June 29, 1979. The Monterey County Water Resources Agency (“WRA”) is a flood control and water agency established by the legislature in 1990 (Monterey County Water Resources Agency Act, Water Code Appendix Chapter 52), and is the successor to the Monterey County Flood Control and Water Conservation District.

### **RECITALS**

**WHEREAS**, PCA and WRA entered into the Memorandum of Understanding Regarding Source Waters and Water Recycling, as amended, dated October 8, 2014, with the City of Salinas (“Salinas”), Marina Coast Water District (“MCWD”), and Monterey Peninsula Water Management District (“WMD”), hereinafter referred to as “Five Party MOU,” to provide a framework for provision of additional source waters that could be dedicated to the Pure Water Monterey Project and provide additional water supply to the Castroville Seawater Intrusion Project; and,

**WHEREAS**, PCA and WRA had previously entered into an agreement, dated June 16, 1992, for construction and operation of a tertiary treatment system (the “1992 Agreement”), with subsequent amendments thereto, as follows: Amendment No. 1 on May 30, 1994; Amendment No. 2 on February 16, 1998; and Amendment No. 3 on May 28, 2002; and,

**WHEREAS**, PCA and WRA entered into an agreement between the Monterey County Water Resources Agency and The Monterey Regional Water Pollution Control Agency for the Operation and Maintenance of the Salinas River Diversion Facility, dated February 3, 2011 (“SRDF Agreement”); and,

**WHEREAS**, in order to facilitate coordination of and accounting for operation and maintenance of the Salinas Valley Reclamation Project (“SVRP”), the Castroville Seawater Intrusion Project (“CSIP”) and the Salinas River Diversion Facility (“SRDF”), it is desired by the Parties to have one comprehensive agreement; and,

**WHEREAS**, the Parties desire to facilitate acquisition of new source waters required for the Pure Water Monterey Project and additional waters for CSIP, WRA applied to the California State Water Quality Control Board on May 19, 2014 for water rights to 25,000 acre-ft/year of Drainage Flows from the Blanco Drain, the Reclamation Ditch, and the Tembladero Slough, as referenced in Section 1.0 D herein; and,

**WHEREAS**, on July 29, 2015 WRA requested that its water rights application be divided into five separate applications with the first 6,500 acre-ft/year allocated to Application Nos. 32263A, 32263B, and 32263C as part of New Incremental and Interruptible Allocations – Phase I, associated with the Pure Water Monterey Project; and,

**WHEREAS**, PCA and Salinas will enter into an agreement for primary and secondary treatment by PCA of the City’s industrial pond water; and,

**WHEREAS**, the 1992 Agreement, as amended, needs to be replaced in order to fulfill the terms and conditions of the Five-Party MOU, and to update specific terms and conditions of agreement between the Parties, for current needs and realities, while preserving the original intentions of the Parties to the maximum extent possible; and,

**WHEREAS**, this Agreement relates to and implements certain portions of the Pure Water Monterey Groundwater Replenishment Project (“GWR”) that the MRWPCA Board approved on

October 8, 2015. The MRWPCA Board certified the Environmental Impact Report ("EIR") for the GWR Project as complete and in compliance with the California Environmental Quality Act ("CEQA"), and adopted the findings required by CEQA on October 8, 2015. This Agreement does not change the GWR Project and no change of circumstances or new information herein shows that the GWR Project would result in new or substantially more severe environmental impacts such that major revisions to the certified EIR would be required. This Agreement is approved based on the EIR as certified.

**NOW, THEREFORE,** for and in reliance of the foregoing, the parties hereby agree as follows:

**1.0 Definitions**

For the purposes of this Water Recycling Agreement, the following definitions are provided:

A. The term "Annexation Agreements" refers to the Annexation Agreement between MCWD and PCA dated April 25, 1989, and the Annexation Agreement between MCWD and WRA dated March 26, 1996. The individual Annexation Agreements are referenced herein by their respective dates.

B. The term "Bureau Loan Contract" refers to the Contract Between the United States and the Monterey Regional Water Pollution Control Agency (MRWPCA) for "A Loan for Construction of a Small Reclamation Plant," dated June 2, 1995,

C. The terms "Castroville Irrigation System," "Castroville Seawater Intrusion Project," and "CSIP," as used in this Water Recycling Agreement, refer to the tertiary treated water distribution system and are hereinafter collectively referred to simply as the "CSIP", which is owned by WRA. Reclaimed water produced by the SVRP for CSIP will be delivered to a distribution system, known as the Castroville Irrigation System, at the points indicated on Exhibit A, attached hereto and made a part hereof, as may be amended by agreement of the parties, and through that system it will be delivered to growers in the Castroville area, for use in the irrigation of crops.

D. The term "Drainage Flows" refers to WRA's portion of New Source Waters originating from Blanco Drain, Reclamation Ditch, and Tembladero Slough.

E. The term "Drought Reserve" shall refer to storage of up to 1,000 acre-ft of water for potential use during a drought.

F. The term "Interruptible Rate" applies to PCA charges for primary and secondary treatment of New Source Waters.

G. The term "New Source Water Facilities" applies to facilities required to be constructed to convey Blanco Drain, Reclamation Ditch and Tembladero Slough waters to the PCA Regional Treatment Plant, and those to be constructed to allow wintertime operation of the SVRP.

H. "New Source Waters" are defined as waters originating at the following:

1. Agricultural Wash Water
2. Blanco Drain Water
3. Reclamation Ditch/Tembladero Slough water
4. Monterey Storm Water
5. Salinas Storm Water

I. The term "Pure Water Monterey Facilities" refers to those advanced treatment facilities necessary to transform secondary treated wastewater from the Regional Treatment Facility into drinking water quality water, the agreement terms for which are not included in this Water Recycling Agreement.

J. The terms "reclaimed water", "reclaimed wastewater", "recycled water", and "tertiary treated water" all refer to the water produced by the 29.6 MGD (33,154 acre-ft per year) tertiary treatment system and are hereinafter collectively referred to as "tertiary treated water".

K. The term "Regional Treatment Plant" refers to the facilities constructed and sized to

provide primary and secondary treatment for 29.6 mgd of wastewater flow and which is owned, operated and maintained by PCA.

L. The terms "SVRP" and "Salinas Valley Reclamation Plant" and "recycled water plant" refer to that part of the Monterey County Water Recycling Project containing the 29.6 mgd (33,154 acre-feet per year) tertiary treatment system that produces recycled water pursuant to Title 22 of the California Code of Regulations (CCR) suitable for irrigation of crops eaten raw, hereinafter collectively referred to simply as the "SVRP," which is owned, operated and maintained by PCA.

M. The terms "SRDF" and "the Salinas River Diversion Facility" both refer to the Salinas River Diversion Facility, which includes the chlorination system as a component, and are hereinafter referred to simply as the "SRDF", which is owned by WRA.

N. The term "SWRCB Loan Contract" is used to refer to "Contract between the State Water Resources Control Board (SWRCB) and MRWPCA for a State Revolving Fund Loan for Construction of a Tertiary Treatment Facility Project" dated December 15, 1995.

O. Member entities of PCA are the following:

1. City of Salinas
2. City of Monterey
3. Castroville Community Services District
4. City of Seaside
5. City of Pacific Grove
6. Marina Coast Water District
7. County of Monterey
8. City of Del Rey Oaks
9. Sand City
10. Boronda County Sanitation District

## **I. CONSTRUCTION OF THE NEW SOURCE WATER FACILITIES**

### **1.01. PCA to construct New Source Water Facilities.**

Upon the receipt of final commitments for the financing described below by all applicable governmental agencies and when conditions precedent of Section 16.15 are met, PCA will finance, design, construct, and install the New Source Water Facilities, in substantial conformity with designs and plans approved by the parties in writing.

### **1.02. Change orders.**

Change orders must be approved in writing. Any change order or related set of change orders that increases the New Source Water Facilities cost by \$100,000 or more shall require the written consent of both Parties within 30 days of presentation. Any change order or related set of change orders that increases the New Source Water Facilities cost by less than \$100,000 or that lowers the New Source Water Facilities cost may be approved by PCA alone, without the consent of the WRA, except that a copy of any proposed or executed change order shall promptly be provided to WRA as soon as it is available to PCA. Each Party's contract administrator shall be authorized to give consent to change orders for that Party. Neither Party's consent to a change order will be unreasonably withheld or delayed.

### **1.03. Location of the New Source Water Facilities.**

The New Source Water Facilities shall be located as shown in Exhibit G, attached hereto and made a part hereof. PCA will acquire any rights-of-way necessary for the construction and maintenance of pipelines from the sources points of delivery to the Regional Treatment Plant.

### **1.04. Projected Future New Source Water Facilities.**

New Source Water Facilities consist of, but are not limited to the following:

1. Blanco Drain Water
  - (a) 2,738 gpm (6.1 cfs) pump station
  - (b) 7,700 feet of 18 inch diameter HDPE, PVC, or Ductile Iron pipe
  - (c) Intake Screen/Wet Well with appropriate appurtenances
2. Reclamation Ditch Water
  - (a) 2,693 gpm (6.0 cfs) pump station
  - (b) 43 feet of 6 and 12 inch diameter DIP or PVC discharge pipe
3. Tembladero Slough Water
  - (a) 1,346 gpm (3 cfs) pump station
  - (b) 120 feet of 16 inch diameter DIP and PVC discharge pipe
  - (c) Intake screen/Wet Well with appropriate appurtenances
4. Monterey Storm Water (Lake El Estero)
  - (a) 2,500+/- gpm pump station
  - (b) 45 feet if 12+/- inch PVC pipe
5. Salinas Storm Water
  - (a) Diversion Point No. 1
    - i. 54" x 54" concrete diversion structure
    - ii. 24" x 24" concrete diversion structure plus weir
    - iii. Parshall Flume
    - iv. Intake Screen/Sluice Gate with appropriate appurtenances
  - (b) Diversion Point No. 2
    - i. 66"x 66" concrete diversion structure

- ii. 24"x 24" concrete diversion structure plus weir
  - iii. Rehabilitate or new 150 feet of -inch pipe
  - iv. Parshall Flume
  - v. Appropriate access points of appurtenances
- (c) Diversion Point No. 3
  - i. 30" x 30" concrete diversion structure
  - ii. Parshall Flume with 12"x 6"x 40 feet diversion structure
  - iii. Appropriate access points and appurtenances
- (d) Diversion Point No. 4
  - i. Cast in place diversion structure
  - ii. 80 feet of 30 inch pipe
  - iii. Parshall Flume and appropriate access points and appurtenances
- (e) Salinas Pond Water Return Facilities
  - i. Intake Structure
  - ii. 2 45 hp pumps
  - iii. Valve and Meter boxes
  - iv. 20-inch HDPE – 6200 ft
  - v. Appropriate access points and appurtenances
- (f) Salinas Pond Return Facilities
  - i. 10'x16' wet well
  - ii. 2 45 hp pumps
  - iii. 7,500 feet of HDPE pipe
  - iv. Appropriate access points and appurtenances
- 6. Modifications to Regional Treatment Plant
  - (a) Two 30-inch sluice gates in Chlorine Contact Basins
  - (b) One 72-inch motorized sluice gate at Storage Pond with access structure and stairs
  - (c) 860-feet of 30+/- inch HDPE, DIP, PVC, or concrete pipe

**1.05. Cooperation between agencies.**

PCA and WRA shall work cooperatively and with diligence to obtain all permits, approvals, and financing to construct the New Source Water Facilities. PCA and WRA shall work cooperatively and with diligence to obtain water rights for the new water sources.

**1.06. Regular meetings.**

After development of an implementation schedule, representatives of the Parties will meet on a monthly basis, or more often if necessary, in order to ensure that the construction of the New Source Water Facilities is proceeding according to the schedule and in conformity with this agreement and the approved plans and designs.

**II. ESTIMATED COSTS AND FINANCING FOR NEW SOURCE WATER FACILITIES.**

**2.01. New Source Water Facilities.**

PCA shall bear all the costs of design and construction of the New Source Water Facilities. PCA intends to finance these costs utilizing grants and low interest loans. WRA will repay its share of these costs as provided in Section VII.

2.02. Estimated design and construction costs of New Source Water Facilities.

**Table 1.**

<b>Component</b>	<b>WRA</b>	<b>PCA</b>	<b>Monterey/Salinas</b>	<b>TOTAL</b>
Blanco Drain Water	\$2.3 Million	\$2.7 Million	0	\$5.0 Million
Reclamation Ditch	\$0.5 Million	\$0.6 Million	0	\$1.1 Million
Tembladero Slough	\$0.5 Million	\$0.6 Million	0	\$1.1 Million
Monterey Storm Water	0	0	Not Estimated	
Salinas Storm Water	0	0	Not Estimated	
Salinas Pond Water Return Facilities	\$1.3 Million	\$1.5 Million		\$2.8 Million
Modifications to Regional Treatment Facility	\$0.6 Million	\$0.7 Million		\$1.3 Million
<b>TOTAL</b>	<b>\$5.2 Million</b>	<b>\$6.1 Million</b>		<b>\$11.3 Million</b>

WRA's share of capital costs is 45.1% and PCA's share of capital costs is 54.9%. This same allocation of capital costs will be applied to Replacement and Renewal costs associated with the New Source Water Facilities, as identified in Section 9.02.

2.03. Source Water.

1. WRA shall obtain water rights to Drainage Flows from the California State Water Resources Control Board. Costs of obtaining and maintaining said water rights shall be reimbursed to WRA on the same proportional basis for water used as a component of the New Source Facilities.
2. Water rights for New Source Water within the City of Salinas and City of Monterey, and any future new source waters not identified herein, including without limitation, dry and wet weather storm drainage system flows and/or volumes, are not subject to this Agreement and may be the subject of future agreements.

**III. OWNERSHIP, OPERATION AND MAINTENANCE OF CSIP, SVRP, SRDF AND NEW SOURCE WATER FACILITIES.**

3.01. Ownership, operation, and maintenance, in general.

1. PCA will own, operate, and maintain the SVRP as described in Exhibit B, "Operation and Maintenance of SVRP, CSIP, SRDF, and New Source Water Facilities", attached hereto and made a part hereof, and will keep the SVRP in good condition and repair for the term of this Water Recycling Agreement. WRA shall be required to reimburse PCA for such costs and expenses of ownership, operation, and maintenance of the SVRP as described in Article VII of this Water Recycling Agreement. After expiration of this Water Recycling Agreement and any extension thereof, the SVRP will remain the property of PCA, except that WRA will own the discharge pipeline from the PCA property line near the discharge side of the storage pond to the connection with the CSIP.
2. WRA will own the CSIP facilities and PCA will operate and maintain the CSIP facilities as described in Exhibit B, "Operation and Maintenance of SVRP, CSIP, SRDF, and New Source Water Facilities", and will keep the CSIP in good condition and repair for the term of this Water Recycling Agreement. WRA shall be required to reimburse PCA for such costs

and expenses of operation and maintenance of the CSIP as described in Article VII of this Water Recycling Agreement. After expiration of this Water Recycling Agreement, and any extension thereof, the CSIP will remain the property of WRA.

3. WRA will own, and PCA will operate and maintain the SRDF as described in Exhibit B, "Operation and Maintenance of SVRP, CSIP, SRDF, and New Source Water Facilities", and will keep the SRDF in good condition and repair for the term of this Water Recycling Agreement. WRA shall be required to reimburse PCA for such costs and expenses of operation and maintenance of the SRDF as described in Article VII of this Water Recycling Agreement. After expiration of this Water Recycling Agreement and any extension thereof, the SRDF will remain the property of WRA.
4. PCA will own, operate, and maintain the New Source Water Facilities as described in Exhibit B, "Operation and Maintenance of SVRP, CSIP, SRDF, and New Source Water Facilities", and will keep the New Source Water Facilities in good condition and repair for the term of this Water Recycling Agreement. WRA shall be required to reimburse PCA proportionately for such costs and expenses of ownership, operation, and maintenance of the New Source Water Diversion Facilities as described in Article VII of this Water Recycling Agreement. After expiration of this Water Recycling Agreement and any extension thereof, the New Source Water Diversion Facilities will remain the property of PCA.
5. No changes in ownership, operation or maintenance of SVRP, CSIP, SRDF or the New Source Water Facilities shall occur except with the mutual consent of both parties.

3.02. Safety and loss prevention program.

PCA will develop, maintain, and implement a safety and loss prevention program for the SVRP, CSIP, SRDF and New Source Water Facilities, and will provide appropriate training for its employees working on the SVRP. This program will conform with all requirements set forth in CAL OSHA's Process Safety Management Program and US EPA's Risk Management Program, and will be revised and updated as new regulations are promulgated. All costs associated with the program will be included in the annual budget process to be reimbursed by WRA.

3.03. Warranties.

PCA warrants that all water committed to WRA pursuant to this Water Recycling Agreement shall be transferred to WRA free and clear of all claims by any person or entity, and that all water produced by the SVRP, up to the SVRP's capacity of 29.6 MGD, shall be distributed in conformity with Section IV.

3.04. Right to inspect.

WRA shall have the right to inspect the SVRP and New Source Water Facilities, while under construction and at any time thereafter during the term of this contract, upon the giving of reasonable advance notice to PCA. Such inspections may take place at any time during the day or night; however, night time inspections will not take place without at least one week's notice, except in case of emergency or by agreement between the Parties. However, PCA shall have the sole right to direct the construction work and the work of PCA's own employees. WRA's right to inspect is for any lawful purpose, but not for the purpose of supervision of the work observed.

3.05. Daily operation.

The SVRP, the CSIP, SRDF and New Source Water Diversion Facilities will be in operation and will



supply water to WRA on a daily basis when source water is available as described in Exhibit B "Operation and Maintenance of SVRP, CSIP, SRDF, and New Source Water Facilities", except for temporary periods of shut-down authorized by this Water Recycling Agreement or made necessary by circumstances beyond the control of PCA.

**3.06. Incidental uses.**

PCA may use such amounts of tertiary treated water from the SVRP as may be needed for the normal operation and maintenance of PCA's facilities, including, but not limited to, the SVRP and the primary and secondary treatment facilities.

**3.07. Notice of temporary cessation of water deliveries.**

PCA will give immediate notice to WRA, by telephone to WRA's General Manager, or to the person designated by the General Manager to receive such notices, with a prompt follow-up notice in writing, as soon as PCA becomes aware of the need to cease deliveries to the CSIP, whatever may be the reason for such interruption in service. Whenever an unforeseen cessation of deliveries occurs without prior notice to WRA, PCA shall immediately give notice to WRA as provided above. In addition, whenever a cessation of deliveries occurs, PCA shall use every reasonable effort to restore service as soon as possible.

**3.08. Outside Contracts.**

When PCA deems it more appropriate for someone other than PCA to make a repair directly, PCA will obtain contracts to perform this work through bidding or other appropriate competitive procurement process.

**3.09. Access to CSIP, SRDF, and New Source Water Facilities on WRA Land or Easements.**

WRA shall provide the necessary access arrangements for PCA personnel to carry out their required work on the CSIP, SRDF, and New Source Water Facilities on WRA land or Easements. WRA shall notify landowners, growers, and others who may be affected by this work in advance that PCA personnel will be entering onto and performing work on their property. Any disputes arising between PCA personnel and these affected parties will cause PCA to discontinue work on the affected facilities until WRA has established necessary access arrangements for the work to continue.

**IV. PROVISION OF RECYCLED WATER TO WRA FROM PCA**

**4.01. Existing Allocations**

1. WRA shall be entitled to tertiary treated recycled water for its CSIP Project during the agricultural growing season in a volume not less than total wastewater flows to the Regional Treatment Plant from all PCA members existing at the Effective Date of this Water Recycling Agreement, plus all other areas within PCA's 2001 boundaries less the following amounts (may be taken before tertiary treatment):
  - (a) Amount claimed and utilized by MCWD pursuant to Section 15.04 as provided pursuant to the Annexation Agreements.
  - (b) Such flows as are lost or as must be diverted in the ordinary course of operating and maintaining the treatment plant and ocean outfall.
  - (c) Such flows as are not needed to meet WRA's authorized demand pursuant to this Water Recycling Agreement.
  - (d) 650 AF of water allocated by WRA to PCA per Table 2:

**Table 2.**

<b>Month</b>	<b>Typical Monthly Seasonal Spread (AF)</b>
May	138 AF
June	172 AF
July	185 AF
August	155 AF
<b>TOTAL:</b>	<b>650 AF</b>

2. WRA shall be entitled to one-half of the volume of wastewater flows from areas outside of PCA's 2001 Boundary provided; however, at the request of WRA, PCA passes the wastewater flows through the tertiary treatment facility or Pure Water Monterey Facilities.
  - (a) PCA shall be responsible for incremental tertiary treatment operations, maintenance, repair and replacement costs for any and up to one-half of the flows from areas outside PCA's 2001 Boundary that pass through the tertiary treatment facility and that are utilized by PCA.
  - (b) WRA shall be responsible for incremental tertiary treatment operations, maintenance, repair and replacement costs for any and up to one-half of the flows from areas outside PCA's 2001 Boundary that pass through the tertiary treatment facility and that are utilized by WRA.
  - (c) PCA, for its flows pursuant to Section 4.02 (2)(a) above, will comply with all applicable requirements set forth in Contract No. 5-07-20-W1284, between the Bureau of Reclamation and WRA including, but not limited to, those contained in the Bureau Loan Agreement, all at PCA's sole cost and expense.

**4.02. New Incremental and Interruptible Allocations (New Source Water) – Phase I**

1. WRA and PCA agree that Phase I consists of PCA constructing and operating New Source Water Facilities intended to provide New Source Water of approximately 4,320 acre-ft/year for PCA and 4,381 acre-ft/year for WRA. Of the total volume of approximately 8,701 acre-ft/year, PCA's operation and maintenance cost share is 49.7% and WRA's operation and maintenance cost share is 50.3%. Said percentages shall be adjusted to reflect actual flows, with such adjustments mutually agreed upon in writing following one year of operation of the Pure Water Monterey Project, and for each year thereafter.
2. PCA's 4,320 acre-ft/year share, prorated monthly (360 acre-ft/month), shall have first priority should any curtailments of the 8,701 acre-ft/year of New Source Water takes place. Said priority shall commence upon completion and operation of any one of the New Source Water Facilities.
3. Primary and secondary treatment of Agricultural Wash Water is managed by a separate agreement between Salinas and PCA, with Salinas making payments for aforesaid treatment. WRA will be responsible for only operations, maintenance, repair and replacement costs related to tertiary treatment of the volume of Agricultural Wash Water that is delivered to CSIP. Prior to completion and operation of the Pure Water Monterey Project, PCA agrees that 100% of the Agricultural Wash Water delivered to it by Salinas will be dedicated to CSIP.
4. All New Source Waters shall be provided to CSIP, if desired by WRA, in a volume up to 50.3% of the total annual flow entering the Regional Treatment Plant from those sources, subject to the PCA first priority described in Section 4.02 (2) above. Flows not desired by

WRA may be utilized by PCA for the Pure Water Monterey Project, other purposes, or be discharged.

- (a) With the exception of any other New Source Waters the primary and secondary treatment costs of which are paid by others, WRA will be proportionately assessed for the incremental operation and maintenance costs of the influent pump station, primary treatment and secondary treatment of its portion of New Source Water flows actually delivered to tertiary treatment.
- (b) WRA will be responsible for incremental tertiary treatment operations, maintenance, repair and replacement costs related to the volume of New Source Waters that are delivered to CSIP.

#### 4.03. Operations and Maintenance Treatment Cost Allocation.

**Table 3.**

O&M Treatment Cost Allocation			
Source	Primary and Secondary	Tertiary	Pure Water Monterey Facilities
Domestic W/W	Member Entities	WRA <sup>1</sup>	PCA-Winter
Ag Wash Water \$198 <sup>2</sup>	Salinas (I.R)	WRA <sup>1</sup>	PCA
Blanco Drain \$74 <sup>2</sup>	WRA/PCA (IR)	WRA <sup>1</sup>	PCA
Rec/Tembladero Ditch \$77/\$91 <sup>2</sup>	WRA/PCA (IR)	WRA <sup>1</sup>	PCA
Storm Water – Monterey \$69 <sup>2</sup>	Monterey (IR)	WRA <sup>1</sup>	PCA
Salinas Pond Water Return Facilities \$83 <sup>2</sup>	Intended User (IR)	WRA <sup>1</sup>	PCA
Storm Water – Salinas \$69 <sup>2</sup>	Salinas (IR)	WRA <sup>1</sup>	PCA
Future WW in 2001 PCA Bound.	Member Entities	WRA <sup>1</sup>	PCA – Winter
Future WW outside 2001 PCA Bound.	Member Entities	WRA (50% of Flow if through SVRP) <sup>1</sup>	PCA – Winter (50% of Flow if through SVRP; all flows otherwise
MCWD – Delivery	Member Entities	MCWD	MCWD
Interruptible Rate (IR)			

<sup>1</sup>PCA – if through tertiary treatment; operations and maintenance and increased interest rate

<sup>2</sup>Interruptible rates are subject to change by PCA Board as described in Exhibit F, attached hereto and made a part hereof.

All treatment costs associated with the New Source Waters will be incorporated into the annual WRA budget process, as identified in Section VII. Annual Source Water costs will be based on the demand schedule provided by WRA to PCA; and PCA's Interruptible Rate Schedule for New Source Waters.

1. If any party utilizes tertiary treated water, other than water provided to PCA pursuant to Section 3.06, Incidental Uses, it shall be proportionately assessed by PCA for operation, maintenance, repair and replacement costs and increased interest costs, for the amount of water claimed and utilized from tertiary treatment facilities.
2. PCA agrees that it will cause MCWD, or itself, in use of its recycled water entitlements, to comply with all applicable requirements set forth in Contract No. 5-07-20-W1284, between the Bureau of Reclamation and WRA including, but not limited to, those contained in the Bureau Loan Agreement, all at PCA's or MCWD's sole cost and expense.

#### 4.04. New Incremental and Interruptible Allocations – Phase II.

PCA and WRA plan to acquire and treat additional flows up to the Regional Treatment Facility's

capacity of 33,154 acre-ft/year, (hereinafter described as “Additional Flows”). Terms and conditions for accommodating Phase II flows will be subject to a separate future agreement.

#### 4.05. Provisions for Drought Reserve.

PCA commits to produce no greater than 200 acre-ft/year, up to a total quantity of 1000 acre-ft of Pure Water Monterey product water for delivery to WMD for storage as a Drought Reserve.

1. PCA may, from time to time, request that WMD establish a Drought Reserve in excess of 1000 acre-ft.
2. During any fiscal year, PCA will first provide 3,500 acre-ft of Pure Water Monterey product water for delivery to WMD for urban water supply requirements before water is produced and delivered to the Drought Reserve.
3. In addition to water supplies provided for this Section IV, WRA may request additional irrigation water from PCA sources. When such a request is made, WMD may make available water from the Drought Reserve to meet urban water supply needs, allowing PCA to deliver additional source waters of an equal amount to WRA. In no instance shall PCA be required to reduce deliveries to WMD to make available additional irrigation water to WRA from its sources in an amount exceeding the balance available in the Drought Reserve.

#### 4.06. Water Quality Enhancement Options.

1. In order to protect against possible future recycled water quality deterioration, WRA desires that PCA evaluate and consider an expansion of the Pure Water Monterey 3,700 acre-ft/year advanced water treatment facility and construction of a pipeline. This potential expansion with a pipeline is to provide advanced treated recycled water to blend with the existing tertiary recycled water. This blending of water qualities will provide better water for growers in the CSIP project area.
  - (a) PCA shall complete an evaluation under California Environmental Quality Act (CEQA) within 180 days of the Effective Date of this Water Recycling Agreement, to determine whether the Expansion Project would result in a new significant adverse environmental effect or a substantial increase in an adverse environmental effect identified in the final EIR for the Pure Water Monterey Groundwater Replenishment Project.
  - (b) If after completion of the foresaid CEQA evaluation, PCA decides to approve the Expansion Project, PCA diligently pursue any available financial grant opportunities to design and construct the aforesaid advanced water treatment facility expansion and pipeline.
  - (c) WRA shall provide written notice to PCA when it desires the aforesaid advanced water treatment facility and pipeline to be operational and the amount of additional treatment capacity desired.
  - (d) If after completion of the foresaid CEQA evaluation, PCA decides to approve the Expansion Project, WRA and PCA shall negotiate a funding arrangement for the non-grant funded portion of the advanced water treatment facility expansion and pipeline. Related operation and maintenance costs to WRA shall be only incremental costs.
2. If upon completion of CPUC CEQA review of the California-American Water Company proposed desalination facility, if the foresaid desalination facility is determined to be the selected alternative, PCA will allow California-American Water Company to finance, design, construct, own, and operate pipeline facilities connecting its proposed desalination facility to the tertiary treatment facility ponds in order to supply desalination facility basin return water to CSIP.

## **V. DELIVERY OF WATER TO WRA.**

### **5.01. Quantity of water to be delivered to WRA SVRP.**

Each year during the term of this contract, PCA shall deliver tertiary treated water from the SVRP to the Castroville Irrigation System. Subject to PCA's and MCWD's rights to the water as set forth in Article IV, the quantity so delivered shall include water provided in response to WRA's demand, determined as set forth in this Water Recycling Agreement.

### **5.02. WRA's demand schedule.**

For water which will be delivered during the term of this Water Recycling Agreement, WRA shall, not later than November 1 each year, submit to PCA a schedule (see Exhibit C, attached hereto and made a part hereof) of requested water deliveries for the next calendar year. The schedule may request water deliveries of amounts up to amounts provided for WRA pursuant to Section 4.01 and 4.02 as WRA's demand. This demand schedule shall show the amount requested for each calendar month in the year.

### **5.03. WRA's demand.**

It is understood and agreed that the wastewater committed by PCA, to which WRA is entitled pursuant to this Water Recycling Agreement, is dedicated for use by WRA for purposes of the CSIP as that seawater intrusion project as it may exist from time to time, and thereafter for direct application for such other non-urban agricultural irrigation projects in the Salinas Valley as WRA may develop for the purpose of curing seawater intrusion and other severe impacts of the groundwater imbalance in the Salinas Valley which threaten the viability of the groundwater basin as a water supply for agricultural and municipal uses, and for no other purpose. Where otherwise consistent with WRA's entitlement pursuant to this Water Recycling Agreement, WRA may use tertiary treated water produced by the SVRP for non-agricultural irrigation applications in the Salinas Valley only if PCA declines in writing to undertake such applications in the Salinas Valley; provided, however, PCA consents in writing to WRA's doing so, which consent shall not be unreasonably withheld. In no event shall PCA's obligation to provide secondary treated wastewater exceed the amount needed to produce the tertiary treated water to which WRA is entitled pursuant to this Water Recycling Agreement.

### **5.04. PCA'S duty to comply with WRA demand.**

PCA shall supply the amount of water demanded in accordance with this Water Recycling Agreement and the demand schedule submitted by WRA, except when the SVRP and SRDF cannot produce enough water to satisfy the WRA's demand, PCA's demand, and MCWD's demand, all as limited by their respective entitlements, either because there is not enough wastewater flowing into the PCA Regional Treatment Plant, or because, for reasons beyond the reasonable control of PCA, the SVRP is unable to operate for a sufficient period of time or the SVRP fails to produce enough water of the quality described in Section 6.01, "Water Quality," for use in the CSIP.

## **VI. MAINTENANCE OF WATER QUALITY.**

### **6.01. Water Quality.**

1. **General Water Quality:** PCA will produce tertiary treated water of a quality suitable for the irrigation of edible crops, such as artichokes, Brussels sprouts, and row crops (e.g., lettuce, cauliflower, broccoli, and celery) that do not require cooking prior to human consumption. All water produced and delivered to WRA shall meet all applicable standards of quality

prescribed by the State of California (including, but not limited to, the regulations promulgated by the State Health Department and set forth in the California Code of Regulations, Title 22), or by separate agreement of the parties, so that the water may be used for the purposes specified herein. The parties clarify in this section 6.01 their intent with regard to the required water quality and further agree that the SVRP has been designed to produce tertiary treated water for the irrigation of food crops where the recycled water comes in contact with the edible portions of the crop. The water quality which the SVRP was designed to produce is defined by the Recycled Water Criteria contained in Chapter 3 of Title 22 of the State of California's Administrative Code. In order to use this water for its intended purpose of irrigating food crops, the specifications contained in Water Reclamation Requirements Order No. 94-82, issued by the State of California Regional Water Quality Control Board, Central Coastal Region, on September 9, 1994, or as said water reclamation requirements may from time to time be revised and reissued by said Regional Water Quality Control Board, must be met. PCA will conduct a source control program to help provide reclaimed water of the best quality for food crop irrigation. However, the water quality specifications described in this Section 6.01 Water Quality constitute the sole and complete definition of the water quality that the SVRP will be expected to produce under this Water Recycling Agreement. PCA makes no representations as to the water quality the SVRP will produce with respect to other quality parameters not specifically set forth in the documents referred to in this Section 6.01.

**6.02. Duty to monitor water quality: cessation in deliveries.**

PCA will monitor the quality of water produced by the SVRP and SRDF, in accordance with the Reclaimed Water Monitoring Requirements contained in the Water Reclamation Requirements Order No. 94-82, referred to in Section 6.01, to ensure that the water delivered to the CSIP meets the quality standards set forth in Section 6.01. PCA may perform additional monitoring which it deems appropriate. The parties understand that it may not be possible for the water produced by the SVRP and SRDF to meet these standards 100% of the time, and that water quality will vary from time to time. During periods when the PCA determines that water quality does not meet the standards, set forth in Section 6.01, flows will not be sent to the CSIP. For those occasions, the CSIP's backup water source will be the SRDF water if available or the CSIP's supplemental wells. PCA will provide special attention to minimize any such events to the extent that it has control over them. PCA will notify WRA promptly, whenever it appears that there is or will soon be a change in the quality of water produced by the SVRP that may adversely affect the agricultural users of the water.

**6.03. Regulations to protect water quality.**

PCA will, to the extent feasible, enact reasonable and appropriate regulations governing the kinds of wastes and other materials that may be discharged into the sewerage system and/or agricultural wash water system, in order to protect the quality of water ultimately produced.

**6.04. Water Quality and Operations Committee.**

The Parties shall maintain a Water Quality and Operations Committee (Committee) whose membership shall consist of representatives of the parties and the areas receiving CSIP water. The Committee is not subject to the provisions of the Open Meeting Law (Cal. Gov't Code section 6250, et seq.) The Committee shall have access to and shall share all pertinent information concerning the operation of the SVRP, SRDF, and CSIP, the quality of water produced, and the needs of the growers receiving water, in order to discuss and make recommendations for maintaining or improving the SVRP, SRDF, and CSIP so that it will continue to meet the needs of the agricultural operations

served. No private sector member of the Committee and no grower or private sector user of water shall be required to disclose proprietary information in connection with the Committee's work, except as may be required by governing law or regulation. The SRDF Water Quality Monitoring Plan shall be presented to the Water Quality and Operations Committee at least once per year or prior to any significant changes, for committee review and input. Any financial changes approved by the Water Quality and Operations Committee at this meeting will be submitted to the WRA Board of Director's for approval and the approved Board Resolution will be forwarded to PCA for any budget modifications.

## **VII. PAYMENTS BY WRA TO PCA**

### **7.01. Consideration paid by WRA.**

As consideration for the water provided and the other obligations performed by PCA under this Water Recycling Agreement, WRA shall make payments to PCA pursuant to this Water Recycling Agreement.

### **7.02. Amounts to be paid.**

The consideration paid by WRA shall be the dollar amount that equals 100% of the annual costs reasonably and necessarily incurred in connection with the SVRP, CSIP, and SRDF (including both direct and indirect expenses), and no more. PCA will make all reasonable efforts to stay within, or below, the amounts budgeted for the SVRP, CSIP and SRDF. All budgetary savings will be applied to the following year's budgets. The annual costs include the following:

1. Amortization of any loans (USBR, SWRCB, etc.), bonds, certificates of participation, and any interim or other financing;
2. The SVRP, CSIP, and SRDF operation, maintenance, repair, replacement, power, capitalized equipment, capital improvements, contingency, and reserve costs as are contained in the budgets for the SVRP, CSIP and the SRDF. PCA will make all reasonable efforts to stay within the total budget amounts for these budgets, but will have the latitude to incur variances between individual budget accounts, so long as the total budget amounts are not exceeded.
3. Unused funds received from WRA will be placed by PCA in an interest bearing account. All interest earned on WRA accounts will be applied for WRA's benefit on a monthly basis. PCA will adjust the second semi-annual billing and year-end reconciliation statement by any interest earned on WRA accounts. PCA shall be reimbursed by WRA for the reasonable loss of interest earnings on PCA's monies used to cover any SVRP or CSIP operations and maintenance costs until such costs are reimbursed by WRA.

### **7.03. Payment schedule.**

PCA will establish separate accounts for the SVRP, SRDF, and the CSIP. Each year, WRA will fund each account by June 30 with a payment that adjusts seed monies to 50% of the projected operations, maintenance, capital outlay, and reserve expenses for the next fiscal year. Thereafter, PCA will record into this account the payments noted in Section 7.04 based on cost share estimates determined pursuant to Section 4.02 (1) herein.

1. WRA will make six payments to PCA each year as follows:
  - (a) Thirty (30) days before the date that PCA's annual payment on the USBR loan for the SVRP is due, WRA will pay an amount equal to the then current payment on the USBR loan;

- (b) Thirty (30) days before the date that PCA's annual payment on the SWRCB loan for the SVRP is due, WRA will pay an amount equal to the current payment on the SWRCB loan;
- (c) Thirty (30) days before the date the PCA's annual payment on the SWRCB loan for the New Source Water Facilities/Pure Water Monterey Project is due, WRA will pay an amount equal to WRA's proportional share of capital costs for the New Source Water Facilities, as provided in Exhibit H attached hereto and made a part hereof.
- (d) On March 1, WRA will pay the SVRP, CSIP, and SRDF operation, maintenance, reserve, and all other SVRP and CSIP costs for the immediately preceding July-December that are allocable to WRA and payable hereunder;
- (e) On September 1, WRA will pay the SVRP, CSIP, and SRDF operation, maintenance, reserve, and all other costs budgeted for the immediately preceding January-June that are in excess of the payments received allocable to WRA and payable hereunder. All surplus costs related to SVRP, CSIP, and SRDF operations will be processed in accordance with Section 7.02.
- (f) On March 1, WRA pay PCA the proportional share of the amortized replacement/renewal costs of the New Source Water Facilities as identified in Exhibit I, attached hereto and made a part hereof.
- (g) Debt Service and Amortization schedules are shown in Exhibit H.

7.04. Payment procedures.

- 1. At least thirty (30) days before the specified due dates for the payments under Section 7.03, PCA will send to WRA a request for payment, indicating the amount due, the date payment from WRA is due, and the nature of the payment.
- 2. Payment requests for operation, maintenance, reserve and other costs shall contain the following information: Expenditure reports for SVRP, CSIP, and SRDF 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. Back-up information (original paid invoices, payroll records, time sheets, and vehicle costs) will be maintained by PCA to support each direct charge.
- 3. WRA shall promptly review all requests for payments and shall approve for payment such requests or portion thereof that are in conformity with this Water Recycling Agreement and shall promptly submit such approved requests to the County Auditor for payment. WRA shall promptly notify PCA of any disputed payment request. Disputes over payments shall be resolved as provided in Article XIII of this Water Recycling Agreement.

7.05. Reduction or termination of water delivery for lack of payment; judicial remedies.

- 1. Notwithstanding anything to the contrary in this Water Recycling Agreement (except for the provisions of paragraph (b), below), if WRA should fail to make any payment to PCA required under this Water Recycling Agreement for a period of ninety (90) days or more after the due date, then PCA, upon fifteen (15) days' written notice to WRA, may act to reduce or terminate the 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 PCA 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, PCA will not exercise its right to terminate or reduce the water supply of the tertiary treated water to the CSIP, except that PCA may reduce the water supply to the extent that the failure of WRA leaves PCA without all necessary and sufficient funds to operate the SVRP.
3. In addition, if WRA should fail to make any payment to PCA required under this Water Recycling Agreement for a period of ninety (90) days or more after the due date, the PCA shall have the right to seek any appropriate judicial relief, at law or in equity, for such default. Such relief may include, but need not be limited to, damages, injunctive relief, and the appointment of a receiver.

7.06. Prior approval of budget by WRA.

1. Each year, in accordance with its normal budgeting schedule, PCA will adopt budgets for the operation of the SVRP, CSIP, and SRDF, in advance of the operating year for which the budgets are proposed, including therein all costs to be paid by WRA. In preparing these budgets, the demand schedule approved by WRA's General Manager will be provided to PCA by November 1 of each year. Within six (6) weeks of receipt of the demand schedule, PCA will provide WRA with a preliminary budget estimate. Any additional costs associated with the New Source Waters will be calculated based on the demand schedule and PCA's Interruptible Rate; and will be included as a separate line item in the SVRP, CSIP, or SRDF budget. Upon receipt of the preliminary budget, both agencies will agree to meet in a timely manner sufficient to enable review and approval by both agencies' respective governing boards.
2. Once the budgets are approved by WRA's Board of Directors, WRA's Board of Supervisors, and PCA's Board of Directors, PCA will not modify the budgets so as to exceed the amount of expenditures approved by WRA without first submitting the proposed changes to WRA's Board of Directors and WRA's Board of Supervisors for review and approval, except as provided for in Section 7.11. In addition, both agencies will provide advance notification of any proposed budgetary modifications that will be considered by each agency's respective board.
3. In the event WRA's revenues to fund the CSIP, SVRP, and SRDF budgets fall below projected amounts, WRA may request that PCA revise the operations to incur lower operating costs to stay within the revised revenue projections.

7.07. SWRCB as third party beneficiary.

The State Water Resources Control Board (SWRCB) shall be a third party beneficiary of the WRA's payment obligations under this Article VII, to the extent that the WRA's payment obligations are intended to provide funds to PCA to repay the loan to the PCA from the SWRCB. In the event of default by the PCA in the repayment of said loan, the SWRCB may enforce the loan repayment obligations against the WRA, and to the extent that the WRA makes payment to the SWRCB, the WRA shall be relieved of its corresponding obligation to the PCA. If, through no fault of the WRA, the PCA defaults in its repayment obligation to the SWRCB, and the WRA thereby becomes obligated to pay any penalties, extra charges, or amounts in excess of the basic principal and interest on the loan, then PCA shall reimburse WRA for any such amounts paid by WRA.

7.08. Priorities of payment.

Notwithstanding anything to the contrary contained herein, WRA's obligations to make payments with respect to the SVRP, CSIP, and SRDF 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. Operation and maintenance costs for the SVRP, CSIP, and SRDF;
2. Debt service on obligations (other than USBR or SWRCB loans for the SVRP, CSIP, and the New Source Water Facilities) incurred to finance the SVRP, CSIP, and New Source Water Facilities, payments to replenish any reserve fund for such obligations, and payments to any provider of credit enhancement for such obligations;
3. Debt service on the USBR and SWRCB loans for the SVRP;
4. Debt service on the New Source Water Facilities;
5. Repair, replacement, capital improvements, capitalized equipment, contingency and reserve costs of the SVRP, CSIP, and SRDF (to the extent the same do not constitute operation and maintenance costs);
6. WRA's share of the amortized replacement/renewal costs of the New Source Water Facilities as identified in Exhibit I.

**7.09. Application of loan payments by PCA.**

All payments made by WRA to PCA for the repayment of the USBR or SWRCB SVRP loans shall be used for such repayment. Upon termination of any loan agreement, any unused funds returned to PCA and retained by PCA shall be returned to WRA within 60 days from the date of the approved PCA audit for the fiscal year in which the agreement was terminated all in accordance with Section 9.01 and 9.02 herein.

**7.10. Unanticipated events/Emergency situations**

1. **Unanticipated events.** Circumstances or events may arise which were not anticipated in either the scopes of services or the budgets for SVRP, CSIP, and SRDF. In this case, PCA will submit its plans for addressing such circumstances or events, including justification and estimated amount of expenditures, to the Water Quality and Operations Committee, formed in accordance with Section 6.04, for its review and recommendations. Before proceeding with those plans, WRA must first give its written approval to incur any additional costs associated therewith.
2. **Emergency situations.** If the event or circumstance constitutes an emergency situation which threatens health and safety, damage to property, or injury to persons, PCA will act as promptly and as efficiently as possible to mitigate the situation without waiting for approval by the Water Quality and Operations Committee or WRA. PCA will advise the Water Quality and Operations Committee and WRA as soon thereafter as possible of the mitigating actions taken and of any further action that may be necessary.

**7.11. Decision-making authority.**

In order to provide for the smooth and efficient operation of SVRP, CSIP, and SRDF, PCA will have the full authority to make and implement decisions with regard to activities and expenditures for these purposes without prior approval of WRA. All such activities shall be within the scope of services described in Exhibit B "Operation and Maintenance of SVRP, CSIP, SRDF, and New Source Water Facilities", respectively. All such expenditures shall be within the overall budget amounts for the SVRP, CSIP and SRDF.

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

### **8.01. Accounting system.**

PCA will 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 SVRP, CSIP, and SRDF. The accounting system shall properly allocate costs to the SVRP, CSIP, and SRDF and to PCA's other activities that are not subject to reimbursement by WRA under this Water Recycling 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, including any overhead distributions, shall be in accordance with GAAP. PCA 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. Financial reports.**

By the last day of each month PCA will provide to WRA a report on expenditures made during the previous month and year-to-date, for each line item in the SVRP, CSIP, and SRDF budgets. These reports will identify any line items which vary appreciably from anticipated budget to date. PCA will provide WRA an annual report of WRA's proportional share of Reserves retained in the Pure Water Monterey Fund for New Source Water Facilities. This report will be provided by PCA to WRA by September 30 of each year; and include WRA's deposits made to the Repair/Renewal Reserve, proportional interest earned, and the proportional share of any replacement/renewal costs.

### **8.03. Direct and indirect costs.**

1. Direct costs of the SVRP, CSIP and SRDF are costs which can be tracked as costs of these particular activities through invoices, time cards, record keeping systems, and other records that specifically allocate a cost to these activities. Indirect costs are all other costs incurred by PCA in order to manage, maintain, support, and operate the SVRP or the CSIP.
2. PCA shall implement the accounting system described in Section 8.01 to uniformly identify and allocate all direct and indirect costs for the SVRP and the CSIP and for all the PCA's other activities. PCA shall identify the specific functions that are typically considered administrative or support in nature. These functions or departments shall include Human Resources, Finance, Administration, Information Technology, and Safety. The annual budgeted costs of these functions will be allocated proportionally to all operational activities based on a percentage relational to the services provided to SVRP, CSIP, SRDF and all other PCA activities. A sample overview is provided in Exhibit J, attached hereto and made a part hereof. The budgets associated with the administrative or support functions will not be directly charged to the SVRP, SRDF, or CSIP. PCA will make reasonable efforts to maximize the extent to which costs to be paid by WRA can be identified as direct costs rather than as indirect costs.
3. For purposes of allocating indirect costs, PCA will not include as a direct cost the debt service (principal and interest) on the loans obtained for the project.
4. PCA and WRA retain the right to transition from the cost allocation plan identified in 8.02 (b) 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 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 SVRP, CSIP or SRDF shall be made.

5. If PCA elects to engage a consultant to comply with OMB Circular A-87, PCA shall be primarily responsible for the costs associated with the Plan, and WRA shall pay for a portion of the plan consistent with the current year indirect cost allocation factor. If WRA requests that PCA engage a consultant to comply with OMB Circular A-87, the costs associated with the plan shall be divided equally.
6. Implementation of an OMB Circular A-87 Cost Allocation Plan will become effective in the new fiscal year immediately following the cost allocation study.
7. 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 (e).

#### 8.04. Annual audit.

The accounting for WRA's funds will be subject to PCA's Annual Audit. Information relating to WRA's activities will be classified as Restricted in PCA's Comprehensive Annual Financial Report (CAFR). This Restricted classification will remain in effect through the term of this agreement, unless there are any new Governmental Accounting Standards Board (GASB) pronouncements or auditor comments that require a change in classification. A copy of PCA's CAFR will be provided to WRA by January following the close of the subsequent fiscal year.

#### 8.05. Right to inspect and audit records.

WRA shall have the right to inspect PCA's records pertaining to the SVRP, CSIP, and SRDF, upon reasonable advance notice. WRA shall also have the right to audit PCA's records pertaining to the SVRP, CSIP, and SRDF, or to have them audited by an auditor selected by WRA, at WRA's sole cost and expense. Such audit may be performed at any time during regular business hours, upon the giving of reasonable advance notice. If the audit shows that PCA has overcharged annual costs to WRA by more than five percent, PCA shall promptly on demand by WRA reimburse WRA for the cost of the audit.

#### 8.06. Reimbursement for overcharge or undercharge.

If any audit shows that an undercharge or an overcharge has occurred, each agency will have 90 days to comply with the audit findings.

### **IX. REPAIR AND MODIFICATION OF SVRP, CSIP, SRDF, AND NEW SOURCE WATER FACILITIES AND RELATED FACILITIES.**

#### 9.01. SVRP, CSIP, and SRDF Reserve Funds.

PCA shall at all times during the term of this Water Recycling Agreement accumulate and maintain a reclamation reserve fund for SVRP, CSIP, and SRDF. The loan reserve fund will be at a minimum in accordance with each loan agreement listed in Exhibit G. The exact amount for each operating reserve shall be determined in the annual budget process. If insurance or self-insurance monies are available for any projects that are intended to be funded by reserves, the insurance monies will be used prior to accessing reserve funds. Upon termination of any agreement, any unused funds retained by PCA shall be returned to WRA within 60 days from the date of the approved PCA audit for the Fiscal Year in which the agreement was terminated.

**9.02. Replacement and Renewal Costs Associated with New Source Water Facilities.**

WRA shall pay PCA the proportional share of amortized capital renewal costs associated with the New Source Water Facilities. WRA's annual contribution is provided in Exhibit I. All funds received from WRA will be placed in the Pure Water Monterey Fund's Renewal and Replacement Reserve in accordance with Section VI. All funds will be held in the Reserve for the purpose of funding capital outlay projects for the New Source Water Facilities; assisting in meeting any fiscal sustainability plan requirements for the Clean Water State Revolving Loans; and maintaining a proportional share of the Loan's debt covenant ratio. At the completion of the thirty-year loan cycle, WRA and PCA will develop a long-term Capital Improvement Plan, which includes establishing an appropriate level of Renewal and Replacement reserves. Any WRA funds that are held in Reserves in excess of the Capital Improvement Plan will be refunded within ninety (90) days of the Plan's establishment.

**9.03. Expansion of treatment plant capacity.**

PCA may expand the Regional Treatment Facility above the current capacity of 29.6 MGD and may construct additional reclamation facilities, at its sole cost and expense and without receiving the consent of WRA. Any increases in capacity and any additional reclamation facilities so constructed shall be used at PCA's discretion, provided, however, that PCA is precluded from providing water to customers within WRA's water supply jurisdiction.

**9.04. Interruptions of service.**

1. No work of construction, remodeling, renovation, replacement, repairs, addition, or expansion authorized under this Water Recycling Agreement and performed on the SVRP, CSIP and SRDF shall, either before, during, or after such work, interfere with, interrupt, or reduce the delivery of tertiary treated water and river water to WRA under this Water Recycling Agreement, except that minor interferences, interruptions, or reductions shall be allowed when necessary, unavoidable, or beyond the control of PCA.
2. PCA shall schedule its planned maintenance activities on the SVRP, CSIP and SRDF to minimize interruption of distribution of tertiary, river and/or well water by the CSIP. Unscheduled work to perform repairs or maintenance will be performed in the manner deemed by PCA to have the least impact on the distribution of tertiary, river and/or well water by the CSIP. In case of any interruption of service, PCA shall give notice in the same manner as required by Section 3.07.

**9.05. Duty to apply insurance proceeds.**

If either party recovers any insurance proceeds on account of loss or damage to the SVRP, CSIP, or SRDF, such proceeds shall be applied to repair or replace the damaged portion of the SVRP, CSIP, or SRDF, and not otherwise. If either party is self-insured and any loss or damage occurs that would have been covered by insurance otherwise required to be maintained by such party under this Water Recycling Agreement, then such party shall provide the funds that would have been recovered had the party been insured and shall apply the funds to repair or replace the damaged portion of the SVRP, CSIP, or SRDF.

**9.06. Payment of uninsured losses.**

If the SVRP, CSIP, or SRDF is damaged or destroyed during the term of this Water Recycling Agreement, by other than an intentional or willful misconduct of a PCA employee, and the amount of available insurance and self-insurance monies plus replacement reserves is insufficient to repair or replace the damage, then WRA shall pay the balance necessary to restore these facilities to their condition prior to the damage.

9.07. New Water Recycling Agreement on replacement of SVRP.

Should all, or part of, the SVRP, CSIP, or SRDF require replacement, whether from insurance or self-insurance monies or from the reserve for replacement, the Parties will in a good faith attempt to negotiate and reach agreement on a new Water Recycling Agreement on terms substantially in accord with the present Water Recycling Agreement.

**X. INDEMNIFICATION.**

10.01. Indemnification of WRA.

PCA shall immediately indemnify, defend, and hold harmless WRA and the County of Monterey (the "County"), their officers, agents, and employees, from and against any and all suits, claims, liabilities, and losses whatsoever against WRA or the County (including damages to property and injuries to or death of persons, court costs, and reasonable attorneys' fees) occurring or resulting to any and all persons, firms or corporations furnishing or supplying work, services, materials, or supplies in connection with the performance of this Water Recycling Agreement, and from any and all suits, claims, liabilities, and losses occurring or resulting to any person, firm, or corporation for damage, injury, or death arising out of or connected with the PCA's performance of its obligations pursuant to this Water Recycling Agreement caused in whole or in part by any negligent act or omission of PCA, any subcontractor, anyone directly or indirectly employed by any of them or anyone for whose acts any of them may be liable, except where caused by the active negligence, sole negligence or willful misconduct of WRA.

10.02. Indemnification of PCA.

WRA shall immediately indemnify, defend, and hold harmless PCA, its officers, agents, and employees, from and against any and all suits, claims, liabilities, and losses whatsoever against PCA (including damages to property and injuries to or death of persons, court costs, and reasonable attorneys' fees) occurring or resulting to any and all persons, firms or corporations furnishing or supplying work, services, materials, or supplies in connection with the performance of this Water Recycling Agreement, and from any and all suits claims, liabilities, and losses occurring or resulting to any person, firm, or corporation for damage, injury, or death arising out of or connected with the WRA's performance of its obligations pursuant to this Water Recycling Agreement caused in whole or in part by any negligent act or omission of WRA, any subcontractor, anyone directly or indirectly employed by any of them or anyone for whose acts any of them may be liable, except where caused by the active negligence, sole negligence or willful misconduct of PCA.

10.03. Procedure for Indemnification.

1. If any legal or administrative proceedings are instituted, or any claim or demand is asserted, by any third party which may give rise to any damage, liability loss or cost or expense with respect to which either party has agreed to indemnify the other party in this agreement, then the indemnified party shall give the indemnifying party written notice of the institution of such proceedings, or the assertion of such claim or demand, promptly after the indemnified party first becomes aware thereof. However, any failure by the indemnified party to give such notice on such prompt basis shall not affect any of its rights to indemnification hereunder unless such failure materially and adversely affects the ability of the indemnifying party to defend such proceeding.
2. The indemnifying party shall have the right, at its option and at its own expense, to utilize counsel of its choice in connection with such proceeding, claim or demand, subject to the

approval of the indemnified party. The indemnifying party shall also have the right to defend against, negotiate with respect to, settle or otherwise deal with such proceeding, claim or demand. However, no settlement of such proceeding, claim or demand shall be made without the prior written consent of the indemnified party, which consent shall not be unreasonably withheld or delayed. The indemnified party may participate in any such proceeding with counsel of its choice at its own expense.

3. In the event, or to the extent, the indemnifying party elects not to, or fails to, defend such proceeding, claim or demand and the indemnified party defends against, settles or otherwise deals with any such proceeding, claim or demand, any settlement thereof may be made without the consent of the indemnifying party if it is given written notice of the material terms and conditions of such settlement at least ten days before a binding agreement with respect to such settlement is executed.
4. Each of the Parties agrees to cooperate fully with each other in connection with the defense, negotiation or settlement or any such proceeding, claim or demand.

#### 10.04. Payment of indemnified claims.

The indemnifying party shall forthwith pay all of the sums owing to or on behalf of the indemnified party, upon the happening of any of the following events:

1. Upon the rendition of a final judgment or award with respect to any proceeding described in Section 10.03, above, by a court, arbitration board or administrative agency of competent jurisdiction and upon the expiration of the time in which an appeal therefrom may be made; or
2. Upon the making of a settlement of such proceeding, claim or demand; or
3. Upon the parties' making of a mutually binding agreement with respect to each separate matter indemnified thereunder.

#### 10.05. Contribution in the event of shared liability.

In the event any proceeding, claim or demand described in Section 10.03 is brought, in which allegations of fault are made against both the parties, the extent of indemnification shall be determined in accordance with the agreement of the parties, or, if there is no agreement, then in accordance with the findings of the court as to the relative contribution by each of the parties to the damage suffered by the party seeking indemnity with respect to such proceedings.

#### 10.06. Exclusion from O&M costs.

Amounts payable by either party as indemnification shall not be included in the operations and maintenance costs of the SVRP, CSIP, SRDF, and New Source Water Facilities.

1. The indemnifying party shall have the right, at its option and at its own expense, to utilize counsel of its choice in connection with such proceeding, claim or demand, subject to the approval of the indemnified party, which approval shall not be unreasonably withheld or delayed. The indemnifying party shall also have the right to defend against, negotiate with respect to, settle or otherwise deal with such proceeding, claim or demand. However, no settlement of such proceeding, claim or demand shall be made without the prior written consent of the indemnified party, which consent shall not be unreasonably withheld or delayed, unless, pursuant to the terms and conditions of such settlement, the indemnified party is released from any liability or other exposure with respect to such proceeding, claim or demand. The indemnified party may participate in any such proceeding with counsel of its choice at its own expense.
2. In the event, or to the extent, the indemnifying party elects not to, or fails to, defend such proceeding, claim or demand and the indemnified party defends against, settles or otherwise

deals with any such proceeding, claim or demand, any settlement thereof may be made without the consent of the indemnifying party if it is given written notice of the material terms and conditions of such settlement at least ten days before a binding agreement with respect to such settlement is reached.

3. Each of the Parties agrees to cooperate fully with each other in connection with the defense, negotiation or settlement of any such proceeding, claim or demand.

## **XI. INSURANCE.**

### **11.01. General insurance requirements.**

Without limiting PCA's duty to indemnify, PCA shall maintain in effect throughout the term of this Water Recycling Agreement a policy or policies of insurance meeting the requirements hereinafter set forth. All such insurance required by this article shall meet the following requirements:

1. Each policy shall be with a company authorized by law to transact insurance business in the State of California, and shall be written on an occurrence form.
2. Each policy shall provide that both Parties shall be given notice in writing at least thirty days in advance of any change, cancellation or non-renewal thereof.
3. Except with respect to workers compensation insurance, each policy shall provide an endorsement naming both Parties and its officers, agents and employees as additional insureds, or additional insureds, as applicable, and shall further provide that such insurance is primary to any other insurance maintained by the WRA.
4. PCA shall require each general contractor and sub-contractor performing construction work under this agreement, or shall be accompanied by a certificate of insurance showing that the contractor or sub-contractor has identical insurance coverage or an appropriate substitute for such coverage approved by the parties hereto.

### **11.02. Commercial general liability insurance.**

WRA and PCA shall maintain (and be named insured under) commercial general liability insurance covering all operations under this Water Recycling Agreement, with such coverages as the parties may agree upon from time to time. The County of Monterey shall be named as an additional insured. PCA will pay up to 40% of the annual cost, for the term of this Water Recycling Agreement. In addition, should this Water Recycling Agreement be terminated by the parties under Section XII with regard to the operation of the CSIP, the obligation of the PCA to pay for such insurance regarding the CSIP shall be accordingly reduced.

### **11.03. Motor vehicle insurance.**

PCA shall maintain insurance covering all motor vehicles (including owned and non-owned) used in providing services under this Water Recycling Agreement, with a combined single limit of not less than \$2,000,000.

### **11.04. Property insurance.**

1. PCA shall maintain insurance covering the SVRP against loss or damage due to fire and other perils to the extent that such insurance is readily and practically available and within available funds for the SVRP. The amount of the insurance shall not be less than the then-current replacement cost of the SVRP, without depreciation. Insurance coverage for the SVRP under this section shall be reviewed and approved by WRA, which shall not unreasonably withhold or delay its approval. PCA shall provide WRA with a copy of the



insurance policy and shall give WRA thirty (30) days' advance notice of any cancellation or proposed change in the insurance required by this section, and any such change shall be subject to review and approval by WRA.

2. WRA shall maintain insurance covering the CSIP and SRDF against loss or damage due to fire and other perils to the extent that such insurance is readily and practically available and within available funds for the SRDF. The amount of the insurance shall be not less than the then-current replacement cost of the CSIP and SRDF, without depreciation. Insurance coverage for the CSIP and SRDF shall be reviewed and approved by PCA, which shall not unreasonably withhold or delay its approval. WRA shall provide PCA with a copy of the insurance policy and shall give PCA thirty (30) days' advance notice of any cancellation or proposed change in the insurance required by this section, and any such change shall be subject to review and approval by PCA.

#### 11.05. Workers' compensation insurance.

PCA shall maintain a workers' compensation plan covering all of its employees as required by Labor Code Sec 3700, either (a) through workers' compensation insurance issued by an insurance company, with coverage meeting the statutory limits and with a minimum of \$100,000 per accident for employer's liability, or (b) through a plan of self-insurance certified by the State Director of Industrial Relations, with equivalent coverage. If PCA elects to be self-insured, the certificate of insurance otherwise required by this Water Recycling Agreement shall be replaced with a consent to self-insure issued by the State Director of Industrial Relations.

#### 11.06. Certificate of insurance.

PCA shall file certificates of insurance with the WRA and with the Monterey County Risk Management Division, showing that PCA has in effect the insurance required by this agreement. PCA shall file a new or amended certificate promptly after any change is made in any insurance policy which would alter the information on the certificate then on file.

#### 11.07. Self-insurance.

Each Party may, instead of obtaining the insurance required of it by this Water Recycling Agreement, elect to be self-insured or to participate in a self-insurance pool, provided the other Party first gives its written consent, which will not be unreasonably withheld or delayed. The Parties shall enter into a separate written memorandum of understanding specifying the proportionate amount or share of such self-insurance allocated to SVRP, CSIP, and SRDF.

#### 11.08. Insurance costs.

Insurance expenses and equivalent self-insurance expenses are CSIP/SVRP costs, except for: costs excludable under indemnification, PCA's share of the liability insurance premium costs under Section 11.02; and costs of PCA's workers' compensation insurance covering work outside the scope of this Water Recycling Agreement. All deductibles under Section 11.02 liability insurance and Section 11.04 property insurance, as well as any self-insured retention under excess insurance held by WRA, PCA, or Monterey County will be borne by WRA. All damages, liabilities, losses and costs, including fines and penalties, that are not covered under a policy of insurance, a self-insurance pool, or other self-insurance program shall be borne by the Parties according to this Water Recycling Agreement.

#### 11.09. Periodic increases in coverage requirements.

The coverage limits stated herein in dollar values shall be adjusted upwards by 15% for every 15% increase in the consumer price index for all urban consumers in the San Francisco Bay area over the

level in effect on the date of this agreement or the previous level, or, if such index is not available, for any substitute or replacement index. Either party shall notify the other when such increase is requested or made.

## **XII. TERM OF AGREEMENT.**

### **12.01. Term of Agreement.**

This Water Recycling Agreement shall become effective on the date hereinabove first made and entered into and shall terminate on the latter of (i) December 31 of year 2045 or (ii) December 31 of the year in which full repayment of debt instruments utilized for financing of New Source Water Facilities is made; subject to any extensions provided for in Section 12.02.

### **12.02. Automatic extension.**

This Water Recycling Agreement shall be automatically extended and renewed for additional 10-year periods unless one Party provides the other Party written notice by December 31<sup>st</sup> of the year preceding the year of expiration that an extension is not to occur.

### **12.03. Conditions of agreement during term.**

All the terms of this Water Recycling Agreement shall remain in effect during any extended term, except as otherwise provided in this agreement.

### **12.04. Rights on Termination.**

1. Upon any termination of this Water Recycling Agreement, WRA shall have the continuing right to receive from PCA the same quantity of incoming wastewater flow as originating in the Salinas Valley. WRA shall provide all facilities for treating the water beyond secondary treatment level at its sole cost and expense or through a subsequent cooperative agreement with PCA or any other entity. Upon any termination of this Water Recycling Agreement, PCA shall have the continuing right to receive the same quantity of tertiary treated water as PCA was or would have been entitled to receive during any term of this Water Recycling Agreement.
2. Upon written notice to PCA within 90 days of termination of this Water Recycling Agreement, WRA shall, at its sole discretion and to the extent permitted by law, have the option to lease or purchase (as determined by PCA) the SVRP and the land upon which it sits, and thereafter to operate, maintain and otherwise be responsible for the SVRP at WRA's sole cost and liability. Upon notice from WRA of its intent to exercise this option, PCA shall, within 90 days, inform WRA whether the land and the SVRP must be acquired, leased, or a combination thereof. WRA thereafter shall indemnify and defend PCA with respect to such facilities and lands, as set forth in a sale or lease agreement.
3. If the parties are unable to agree on the fair market value for the sale or lease of the SVRP and of the underlying land, that dispute shall be decided in accordance with the alternative dispute resolution provisions set forth in Article XIII.
4. PCA's rights to tertiary treated water in accordance with this Water Recycling Agreement shall also survive cancellation, regardless of whether WRA exercises the option pursuant to Section 12.04(2).

### **XIII. DISPUTE RESOLUTION.**

#### **13.01. Dispute resolution procedure.**

If any dispute arises between the Parties as to the proper interpretation or application of this Agreement, and/or the proper operation of the facilities, the Parties shall first seek to resolve the dispute in accordance with this Article, and the Parties must proceed through arbitration under this Article before filing any court action as set out below.

#### **13.02. Duty to meet and confer.**

If any dispute under this Agreement arises, the Parties shall first meet and confer, in an attempt to resolve the matter between themselves. Each Party shall make all reasonable efforts to provide to the other Party all the information that the Party has in its possession that is relevant to the dispute, so that both Parties will have ample information with which to reach a decision.

#### **13.03. Mediation and Arbitration.**

1. If the dispute is not resolved by meeting and conferring within 30 days of commencing that process, the matter may be submitted to mediation. The terms of and process for the mediation shall be set by the Parties and the mediator. The Parties agree that they may, by or through consensus, elect to convert the mediation into arbitration.
2. If the dispute is not resolved by meeting and conferring, and mediation is not chosen or not implemented by the parties, or is unsuccessful, the Parties shall submit the matter to arbitration. In that event the Parties will jointly select a single arbitrator, or, if the Parties are unable to agree, they shall each select an arbitrator, and the matter shall be handled by two arbitrators. The two arbitrators may, if they deem it appropriate and warranted by the nature and significance of the dispute, themselves select a third arbitrator. Any person selected as an arbitrator shall be a qualified professional with expertise in the area that is the subject of the dispute, unless the Parties otherwise agree. The arbitration shall be conducted in accordance with the rules of the American Arbitration Association. The decision of the arbitrator or arbitrators shall be binding, unless within 30 days after issuance of the arbitrator's written decision, either party files an action in court.

### **XIV. ADDITIONAL RESPONSIBILITIES.**

#### **14.01. Compliance with water reclamation requirements for the CSIP.**

PCA shall be responsible for compliance with all of the requirements contained in the "Recycled Water User Requirements for Monterey County Water Resources Agency (User), Castroville Seawater Intrusion Project, Monterey County," Order No. 97-52, issued by the State of California Regional Water Quality Control Board, Central Coast Region, on September 5, 1997, or as said Order may from time to time be revised and re-issued by the Regional Water Quality Control Board. PCA's responsibilities shall be limited to complying with the Water Reclamation Requirements for the SVRP, as described in Section 6.01, and for notifying WRA of any obvious violation of the CSIP requirements.

#### **14.02. Grower and landowner requirements.**

WRA shall require the growers and landowners to operate their irrigation systems and to use reclaimed water in accordance with the requirements of Water Reclamation Requirements Order No. 97-52, or as subsequently revised.

14.03. Reports to U.S. Department of the Interior, Bureau of Reclamation.

WRA shall prepare and submit all reports required by the Bureau of Reclamation for CSIP, and SRDF and PCA shall submit all such reports for SVRP, as a condition of any loans made by the Bureau of Reclamation. These reports shall include, but not be limited to, the annual excess lands report and any reports associated with use of reclaimed water for municipal or industrial purposes.

14.04. Permits and approvals.

WRA shall be responsible for obtaining and complying with all permits and approvals for the CSIP and SRDF that are necessary for PCA to perform its work under this Water Recycling Agreement.

14.05. Third-party damages.

WRA shall resolve and pay for all costs resulting from damages to CSIP and SRDF facilities caused by third parties and not covered by insurance maintained by either WRA or PCA. If such damages are caused by a grower who is being served by the CSIP, WRA shall determine whether the associated costs are to be recovered from the grower, or are to be absorbed by WRA, but in no case shall PCA have any cost or other liability with regard to repairing said damages, except that WRA may request PCA to make necessary repairs and reimburse PCA for all costs associated therewith. The budget for the CSIP does not include any amounts for making such repairs, and WRA shall fund the cost of such repairs outside of this Water Recycling Agreement.

14.06. Assessments.

WRA will prepare and submit, and resolve all questions and issues associated with billings for assessments levied in conjunction with SVRP, CSIP and SRDF.

14.07. Physical damage to crops.

Crop damage payments, except those attributed to PCA's failure to produce water which meets the water quality standards specified in Section 6.01 shall be reimbursable costs from the annual CSIP operating budget.

**XV. DELIVERY OF WATER TO PCA.**

15.01. PCA Demand.

PCA shall have the right to use, on an "as available" basis, amounts of secondary effluent or tertiary treated water to which WRA and/or MCWD are entitled, but do not use. WRA shall similarly have the right to use, on an "as available" basis, amounts which PCA and/or MCWD are entitled, but do not use.

15.02. PCA Monthly Demand Schedule.

PCA shall, no later than December 15 of each year, provide to WRA a schedule of tertiary treated water deliveries for the next calendar year. This schedule shall show the amount requested for each calendar month of the year. The demand may vary from month to month, provided the demand neither exceeds PCA's entitlement nor the seasonal limitations, except as otherwise specifically provided by this Water Recycling Agreement. PCA shall promptly inform WRA of any changes in the foregoing schedule.

15.03. PCA Payment.

1. PCA shall pay the Actual Costs of tertiary treated water it takes delivery of for its use, including portions of payments required pursuant to the Bureau Loan Contract and the

SWRCB Loan Contract. The "Actual Costs" consist of the sum of: 1) the proportional SVRP operation and maintenance, plus 2) Supplemental Well Pumping Costs, if any plus 3) the proportional cost of SVRP debt service for the SWRCB Loan Contract, plus 4) the proportional cost of principal and interest payments for the SVRP due pursuant to Article 9 (b) of the Bureau Loan Contract, including any proportional interest due pursuant to Article 9 (b) (2) of the Bureau Loan Contract as a result of deliveries of tertiary treated water to the PCA for its M&I use.

2. PCA payments will be determined and made consistent with Exhibit H and, to the extent applicable, Articles VI and VII of this Water Recycling Agreement.

15.04. No Modification of MCWD Contract Entitlement.

Nothing in this Water Recycling Agreement is intended to, nor shall it be interpreted to, expand, limit or otherwise modify MCWD's existing contractual rights, entitlements, and obligations pursuant to either of the Annexation Agreements.

**XVI. GENERAL PROVISIONS.**

16.01. Compliance with laws.

PCA will comply with all permit and licensing requirements applicable to the SVRP, CSIP and SRDF, and will operate the SVRP in accordance with all requirements of law and governmental regulations. Compliance with water quality requirements will be limited strictly to those set forth in Section 6.01, "Water quality."

16.02. Attorney's fees.

In the event it shall become necessary to commence or defend litigation for purposes of enforcing this Agreement or rights hereunder, the prevailing party shall be entitled to recover reasonable attorney's fees and costs.

16.03. Amendments.

No amendment or modification shall be made to this Water Recycling Agreement, except in writing, approved by the respective Boards and duly signed by both Parties.

16.04. Contract administrators.

1. WRA hereby designates its General Manager as its contract administrator for this Agreement. All matters concerning this Agreement which are within the responsibility of WRA shall be under the direction of or shall be submitted to the General Manager or such other WRA employee in the WRA as the General Manager may appoint. WRA may, in its sole discretion, change its designation of the contract administrator and shall promptly give written notice to PCA of any such change.
2. PCA hereby designates its General Manager as its contract administrator for this Agreement. All matters concerning this Agreement which are within the responsibility of PCA shall be under the direction of or shall be submitted to the General Manager or such other PCA employee in the PCA as the General Manager may appoint. PCA may, in its sole discretion, change its designation of the contract administrator and shall promptly give written notice to WRA of any such change.

16.05. Assignment.

Any assignment of this Water Recycling Agreement shall be void without the written consent of the

non-assigning party.

16.06. Negotiated Water Recycling Agreement.

This Water Recycling Agreement has been arrived at through negotiation between the parties. Neither Party is to be deemed the party which prepared this Water Recycling Agreement within the meaning of Civil Code Sec. 1654.

16.07. Time is of essence.

Time is of the essence of this Water Recycling Agreement.

16.08. Headings.

The article and paragraph headings are for convenience only and shall not be used to limit or interpret the terms of this Water Recycling Agreement.

16.09. Entire Water Recycling Agreement.

This written Water Recycling Agreement, together with all exhibits attached hereto and incorporated by reference, is the complete and exclusive statement of the mutual understanding of the parties, except to the extent that this Water Recycling Agreement expressly refers to or requires the preparation of additional agreements. Any such additional agreement shall be in writing. This Water Recycling Agreement supersedes and cancels all previous written and oral agreements and communications relating to the subject matter of the contract. The 1992 Agreement, Amendments 1, 2, and 3 dated May 30, 1994, February 16, 1998, and May 28, 2002, respectively, and the SRDF Agreement are hereby rescinded.

16.10. Notices.

All notices and demands required under this Water Recycling Agreement shall be deemed given by one party when delivered personally to the principal office of the other party; when faxed to the other party, to the fax number provided by the receiving party; or five days after the document is placed in the US mail, certified mail and return receipt requested, addressed to the other party as follows:

To PCA:

General Manager  
MRWPCA  
5 Harris Court, Building D  
Monterey, CA 93940  
Fax: (831) 372-6178

To WRA:

General Manager  
MCWRA  
P.O. Box 930  
Salinas, CA 93902-0930  
Fax: (831) 424-7935

16.11. Execution of documents.

The parties will execute all documents necessary to complete their performance under this Water Recycling Agreement.

16.12. Exhibits.

The following exhibits are attached to this Water Recycling Agreement:

- EXHIBIT A: DIAGRAM OF PROJECT LOCATION AND RIGHTS OF WAY, ALSO  
SHOWING POINTS OF DELIVERY TO THE CSIP
- EXHIBIT B: OPERATION AND MAINTENANCE OF SVRP, CSIP, SRDF, AND NEW  
SOURCE WATER FACILITIES

- EXHIBIT C: SAMPLE WRA BASIC DEMAND SCHEDULE  
EXHIBIT D: WASTEWATER RECLAMATION SYSTEM PROJECT DESCRIPTION AND MITIGATION MEASURES  
EXHIBIT E: CALCULATION OF PAYMENTS PURSUANT TO SECTION 17.08 OF THIS WATER RECYCLING AGREEMENT  
EXHIBIT F: OPERATION AND MAINTENANCE ESTIMATED TREATMENT COSTS  
EXHIBIT G: PROPOSED GWR PROJECT FACILITIES OVERVIEW FIGURE S-1  
EXHIBIT H: DEBT SERVICE OVERVIEW AND AMORTIZATION SCHEDULE  
EXHIBIT I: SCHEDULE OF AMORTIZED REPLACEMENT AND RENEWAL COSTS FOR NEW SOURCE WATER FACILITIES  
EXHIBIT J: SAMPLE COST ALLOCATION PLAN FOR INDIRECT COSTS

**16.13. Severability.**

If any provision of this Water Recycling Agreement is declared invalid or unenforceable by any court of competent jurisdiction, then such portion or provision shall be deemed to be severable, to the extent invalid or unenforceable, from this Water Recycling Agreement. Such declaration shall not affect the remainder of this Water Recycling Agreement, which shall remain in full force and effect, as though the invalid portion had never been included.

**16.14. Waiver.**

No waiver of any right or obligation of any of the parties shall be effective unless in a writing, specifying such waiver, executed by the party against whom such waiver is sought to be enforced. A waiver by any of the parties of any of its rights under this Water Recycling Agreement on any occasion shall not be a bar to the exercise of the same right on any subsequent occasion or of any other right at any time.

**16.15. Conditions Precedent for New Source Water Facilities.**

The portions of this Water Recycling Agreement applicable to the New Source Water Facilities (see Section I) shall not become effective until the following conditions are met:

1. Water Rights for the Blanco Drain and Reclamation Ditch are obtained from the California State Water Resources Control Board; and
2. A fully executed, and California Public Utilities Commission approved, Water Purchase Agreement, between PCA, Monterey Peninsula Water Management District, and California-American Water is approved by the California Public Utilities Commission and executed by the parties thereto; and
3. Written findings are made by the Regional Water Quality Control Board that utilization of the Blanco Drain dry weather flows as New Source Water meets all treatment requirements for the aforesaid dry weather flows; and
4. An independent third-party review of proposed capital and operating costs and preparation of an Engineer's Report is approved by the WRA Board of Directors and Board of Supervisors. The costs of the aforesaid third party review shall be shared equally between WRA and PCA; and
5. A successful assessment or Proposition 218 process for rates and charges related to the operation and maintenance of the New Source Water Facilities and proportional primary and secondary treatment charges; and
6. Inclusion of Salinas Pond Water Return Facilities as New Source Water Facilities requires execution of a separate agreement between the Parties.

16.16. Use of New Source Water.

If Conditions Precedent in Section 16.15 (1) and 16.15 (2) are met, but Conditions Precedent in Section 16.15 (3) and/or Section 16.15 (4) and/or Section 16.15 (5) are not met:

1. WRA will allow use by PCA of its water rights of 6,500 acre-ft entitlement from Application Nos. 32263A, 32263B, and 32263C. PCA will pay WRA the cost of obtaining and maintaining those water rights.
2. WRA will retain the right to utilize the Agricultural Wash Water component from the City of Salinas.
3. WRA and PCA will incorporate the provisions of this Section 16.16 in a separate agreement should Section 16.16 become operable.

16.17. Written Authorization.

For any action by PCA which requires written authorization from WRA, the written authorization shall be signed by WRA's General Manager, or the General Manager's written designee.

**XVII. EXECUTION**

In witness whereof, the parties execute this Water Recycling Agreement as follows:

**Monterey Regional Water  
Pollution Control Agency**

Dated: November 30, 2015

  
Board Chair, Board of Directors

**Monterey County Water  
Resources Agency**

Dated: 11/12/16

  
Chair, Board of Supervisors

Approved as to form:

Dated: Nov. 30, 2015

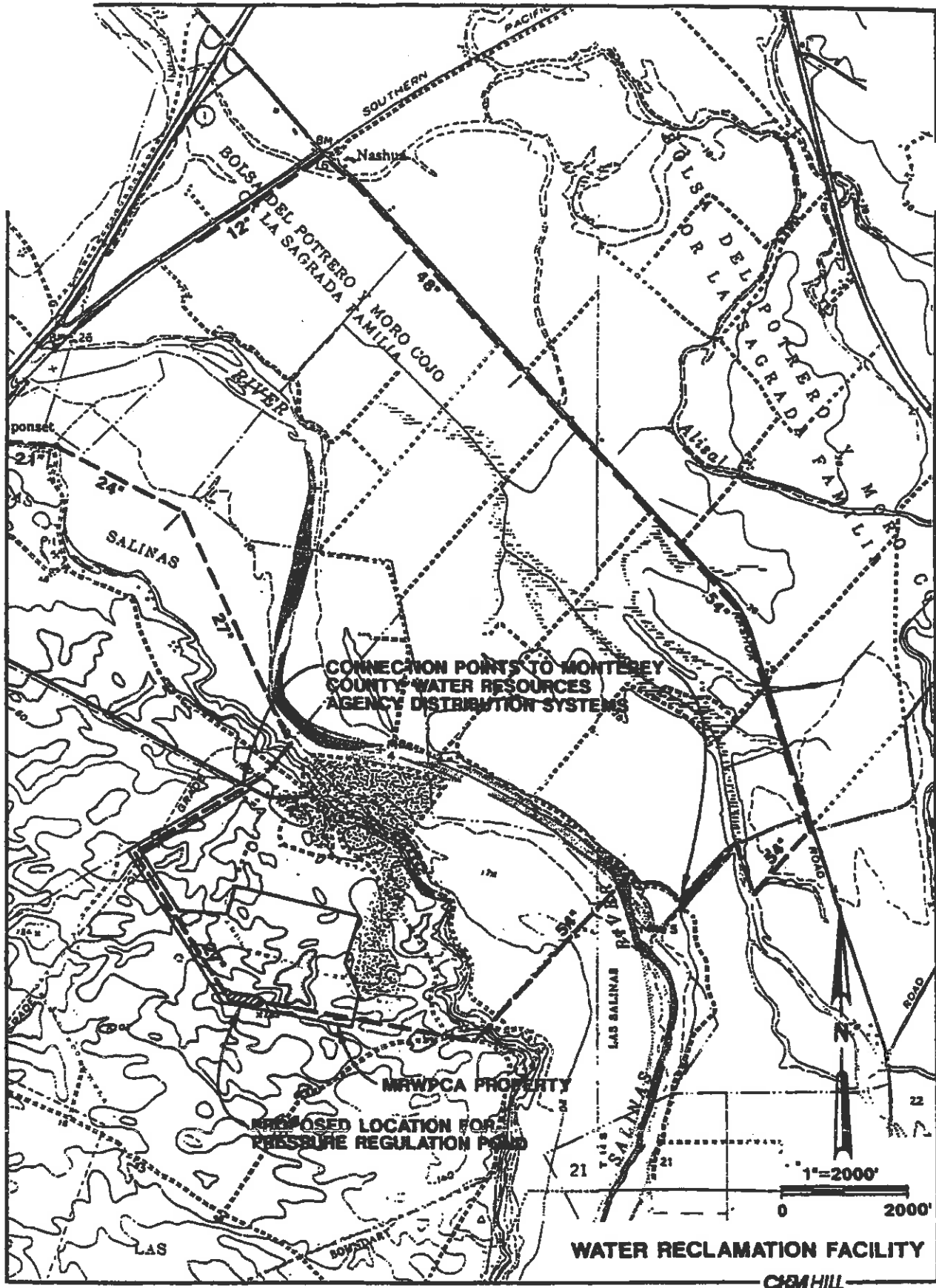
  
Counsel, Monterey Regional Water  
Pollution Control Agency

Dated: 11/11/16

  
Deputy County Counsel, Monterey  
County Water Resources Agency



# EXHIBIT A



## **EXHIBIT B**

### **Operation and Maintenance of SVRP, CSIP, SRDF, and New Source Water Facilities**

#### **Operation and Maintenance of the SVRP**

PCA agrees to perform the following minimum services to ensure the proper operation of the SVRP. Said services are subject to change by mutual written agreement.

- Operate mechanical equipment such as meters, pumps, filters and chemical feeders.
- Operate electrical and electronic equipment such as motors, controllers, automatic monitors, automatic samplers, chlorine residual analyzers, and standby power systems.
- Calibrate, maintain, service, repair, and replace various mechanical electrical, and electronic equipment such as chemical metering pumps and supporting chemical feed systems, automatic samplers, electrically and pneumatically operated valves, motors, flow meters, chemical mixers, and chlorine and sulfur dioxide equipment including evaporators, chlorine and sulfur dioxide feeders.
- Change one ton chlorine and sulfur dioxide tanks and abide by the PCA's safety and loss prevention program.
- Perform jar testing to determine and optimize chemical dosages and control chemical applications for various treatment processes.
- Inventory, order and store chemicals for the SVRP.
- Inventory, order and store spare parts and equipment for the SVRP.
- Maintain accurate and complete operational records and prepare monthly and any other reports as required by the Water Reclamation Requirements referred to in Section 5.01, paragraph (b) for the SVRP. Copies of Water Reclamation Requirements reports will be provided to WRA.
- Read meters, gauges, charts.
- Utilize computers and SCADA system to assist with the operation of the SVRP.
- Read and interpret SVRP construction schematics and plans.
- Maintain and monitor reclaimed water storage reservoir.
- Collect samples from throughout the various SVRP processes to ensure and optimize reclaimed water production.
- Perform laboratory analyses and studies as necessary to ensure compliance with Title 22 and water safety concerns.
- Abide by PCA's safety and loss prevention program policies and maintain a safe working environment.
- Perform regular preventive maintenance on the SVRP equipment.
- Perform general maintenance, housekeeping and grounds maintenance.
- Assist with, and provide support for, tours of the SVRP for members of the public.

#### **Operation and maintenance of the CSIP**

PCA agrees to perform the following minimum services to ensure the proper operation of the CSIP. Said services are subject to change by mutual written agreement.

Perform normal operation and maintenance on the distribution well pumps, booster stations, pipelines, instrumentation, SCADA system and cathodic protection system. Perform repairs and major maintenance services as required due to wear and tear or failure of equipment. These will be performed as prescribed in the System Operations & Maintenance Manual prepared for the CSIP by WRA's design engineer, as well as the CSIP equipment manufacturers' manuals furnished in accordance with the CSIP construction contract documents, including:

- Inspect the pipelines, supplemental wells and booster stations.
- Inspect the pipelines for leaks.
- Inspect supplemental wells for general condition, log entries, fill pump bearing oilers, and perform general housekeeping.
- Inspect of booster stations for general condition, log entries, and perform general housekeeping.
- Inspect the turn-outs for serviceability.
- Inspect and calibrate conductivity meters.
- Read power and water meters at turnouts and supplemental wells once a month for records, and once a quarter at turnouts for billing purposes.
- Respond to after-hours problems on an on-call basis.
- Perform housekeeping of all assigned areas.
- Receive water orders and schedule water deliveries.
- Assess capability of the SVRP and the CSIP to supply water orders at the times and in the quantities requested.
- Notify growers as to whether each water order can or cannot be filled.
- Monitor turn-out flow rates to insure they conform with designed flow rate.
- Read water meters monthly.
- Monitor water quality within the distribution system and perform laboratory analyses and special studies as necessary to confirm the safety and public acceptance of the water.
- Maintain proper operation of air release and vacuum relief valves, and periodically exercise isolation valves.
- Maintain accurate and complete operational records and prepare reports as required by the recycled water user requirements referred to in Section 15.01 for the CSIP Copies of these reports will be provided to WRA.
- As necessary, replace motors, bearings and gaskets; repair valves and electrical or instrumentation equipment; and remove equipment from installed locations and transport to repair facilities.

#### Operation and maintenance of the SRDF

The SRDF is a seasonally operated facility. WRA shall notify PCA when SRDF seasonal operations are to begin and cease. As governed by project permits, raising the inflatable dam and pumping and chlorinating of river water may occur no sooner than April 1 of each year. Cessation of pumping and chlorinating river water shall occur no later than October 31 of each year. At the end of each operational season, the river water impoundment shall be filled to capacity and allowed to drain at 2 cfs through November 29 of each year unless directed otherwise by WRA. Depending on service area water demand, river water availability, quality, or other circumstances, raising of

the inflatable dam and pumping of river water may begin after April 1, and cessation of pumping river water may occur before October 31.

The PCA agrees to perform the following services to ensure the proper operation of the SRDF (including the chlorination system): Perform repairs and maintenance services as required due to wear and tear or failure of equipment. These will be performed as prescribed in the Operations & Maintenance Manual prepared for the SRDF by WRA's design engineer, as well as equipment manufacturers' manuals furnished in accordance with Project construction contract documents, including chlorination system equipment manufacturer's manuals, and as described, but not limited to, below:

- Operate mechanical equipment such as inflatable dam gate and regulating weir, air compressors and compressed air system components; river intake screens, fish ladder regulating gates and associated hydraulic system; vertical turbine water pumps; hydraulic surge control system components; river water pipeline; pipeline standpipe and control valves; filter screen station, valves, backwash pumps and system components.
- Operate electrical and electronic equipment such as motors, controllers, automatic monitors, automatic samplers, chlorine residual analyzers, and standby power systems.
- Operate fish bypass system to conform to fishery agency bypass flow requirements. PCA shall periodically monitor the fish bypass system for flow verification. PCA shall not be responsible for determining fish bypass flow requirements, but shall be notified by WRA as to fish bypass flow requirements.
- Calibrate, maintain, service, repair, and replace various mechanical, electrical, and electronic equipment such as chemical metering pumps and supporting chemical feed systems, automatic samplers, electrically and pneumatically operated valves, motors, flow meters, chemical mixers, and chlorine equipment including evaporators and feeders.
- Prepare project components for operation prior to seasonal start up. This includes, but is not limited to, removing sediment from the river intake head wall area, fish ladder, and regulating weir, installing river intake screens, installing fish ladder grating, installing hand rails and safety equipment at the river head walls, initial operation of inflatable dam and hydraulic regulating gates, preparing hydraulic surge system for operation, opening and monitoring standpipe valve operation, preparing filter station components, preparing chlorination system components for operation, start up of air conditioning/ventilation systems, and installing debris boom.
- Close down project components after the operational season ends. This includes, but is not limited to, removing river intake screens, installing fish ladder cover plates, removing hand rails at the river head walls, lowering inflatable dam, closing hydraulic regulating gates, draining the river water pipeline, draining and decompressing hydraulic surge system, draining standpipe and closing valves, draining filter station components, draining chlorination system components, shut down of air conditioning/ventilation units, and removal of debris boom.
- Remove debris and sediment from any project component as needed to maintain adequate operation of project and prevent undue damage to project facilities.
- Regularly communicate forecast river water irrigation demand with WRA personnel. Such information will be used by WRA to assist determination of water releases from Nacimiento and/or San Antonio Reservoirs.
- Inspect and maintain painting and coatings to prevent atmospheric corrosion, and monitor and maintain buried facility corrosion protection equipment.
- Inspect or obtain proper inspection of pressure vessels.

- Perform testing as needed to determine and optimize chemical dosages and control chemical applications for river water treatment process.
- Inventory, order and store chemicals for the SRDF.
- Inventory, order and store spare parts and equipment for the SRDF.
- Maintain accurate and complete operational records and prepare monthly and any other reports as required by the WRA, or regulatory bodies.
- Read meters, gauges, and charts.
- Utilize computers and SCADA system to assist with the operation of the SRDF.
- Maintain and monitor reclaimed water storage reservoir.
- Collect samples from throughout the various SRDF processes to ensure and optimize river water production.
- Perform laboratory analyses and studies as necessary to ensure compliance with water safety concerns.
- Abide by PCA's safety and loss prevention program policies and maintain a safe working environment.
- Perform regular preventive maintenance on the SRDF equipment. Such maintenance may be performed in the off-season if determined to be more cost effective.
- Perform general maintenance, housekeeping and grounds maintenance of all assigned areas.
- Assist with, and provide support for, tours of the SRDF for members of the public.
- Inspect the pipelines for leaks.
- Assist WRA's grower liaison with the operation of the SRDF.
- Respond to after-hours problems on an on-call basis.
- Receive water orders and schedule water deliveries.
- Assess capability of the SRDF to supply water orders at the times and in the quantities requested.
- Notify growers as to whether water orders cannot be filled, and coordinate filling of the water orders as necessary.
- Monitor water quality within the delivery system and perform laboratory analyses and special studies as necessary to confirm the safety and public acceptance of the water.
- As necessary, replace motors, bearings and gaskets; repair valves and electrical or instrumentation equipment; and remove equipment from installed locations, transport to repair facilities and back to the project.
- PCA will be responsible for the care, maintenance, and use of additional equipment to be furnished by WRA for PCA's use in providing service under this agreement.
- Maintain and repair signage at SRDF site as needed. Signage will be supplied and installed by WRA.
- Implement the River Water Contaminant Response Plan as required by Plan criteria.

In addition to those services listed above, WPCA shall operate and maintain the SRDF river water chlorination system to conform to the following parameters:

- The chlorination system shall be capable of operation whenever the SRDF is operational, 24 hours per day, 7 days per week.
- The chlorination system shall be maintained to operate under normal flow capacity ranges from approximately 12 cubic feet per second (cfs) to 36 cfs. Maximum flow capacity is up to 48 cfs. Maximum flow capacity is intended only for short durations of significant water supply loss, such as when the SVRP is out of operation.
- A two-phase river water disinfection process including contact with free chlorine and

- contact with combined chlorine via mixing with recycled water.
- River water contact with free chlorine for a minimum often (10) minutes prior to mixing with recycled water at 36 cfs flow.
- A free chlorine dosage capability up to 15 ppm.
- Promote river water and recycled water mixing prior to distribution.
- Prevent backflow of chlorinated water into the SRDF pipeline.
- Minimize effects of hydraulic surge pressures on the SRDF pipeline and pump station.
- Provide and maintain outlet for SRDF screen filter station backflush discharge water.
- Oversee modifications to the system by registered professional engineers according to accepted engineering standards and applicable building codes and regulations.
- Incorporate all appropriate safety features.
- River water sampling and testing features and locations.
- Maintain integrated river water disinfection system instrumentation and control features with the SRDF such that the SRDF operates in conjunction with the SVRP and CSIP under normal operating conditions.

#### Operation and maintenance of the New Source Water Facilities

PCA agrees to perform the following minimum services to ensure the proper operation of the new diversion structures. Said services are subject to change by mutual written agreement.

Perform normal operation and maintenance on the distribution well pumps, booster stations, pipelines, instrumentation, SCADA system and cathodic protection system. Perform repairs and major maintenance services as required due to wear and tear or failure of equipment. The service and repairs will be performed as prescribed in the System Operations & Maintenance Manual prepared for the facilities. These manuals will be similar to the equipment manufacturers' manuals furnished in accordance with the CSIP and SVRP construction contract documents. Some of the operation and maintenance items for the New Source Water Diversion Facilities include but not limited to:

- Calibrate, maintain, service, repair, and replace various mechanical, electrical, and electronic equipment
- As necessary, replace motors, bearings and gaskets; repair valves and electrical or instrumentation equipment; and remove equipment from installed locations, transport to repair facilities and back to the project.
- Read meters, gauges, charts.
- Utilize computers and SCADA system to assist with the operation of the diversion structures
- Abide by PCA's safety and loss prevention program policies and maintain a safe working environment.
- Perform regular preventive maintenance on the diversion equipment.
- Perform general maintenance, housekeeping and grounds maintenance
- Respond to after-hours problems on an on-call basis.

**EXHIBIT C**  
**SAMPLE WRA BASIC DEMAND SCHEDULE**  
**FY 2015-2016 CSIP/SVRP/SRDF**

**DEMAND SCHEDULE**

MONTH	PROJECTED RTP INFLUENT ACRE-FEET <sup>1</sup>	CSIP SUPPLEMENTAL WELLS PRODUCTION ACRE-FEET	SRDF RIVER PRODUCTION ACRE-FEET	SVRP + NEW SOURCE WATERS PRODUCTION ACRE-FEET	NEW SOURCE WATERS PRODUCTION ACRE-FEET	TOTAL DEMAND ACRE-FEET
July	1,976	1,355	-	2,045	245	3,400
August	1,959	802	-	2,198	348	3,000
September	1,864	197	-	2,003	303	2,200
October	1,930	20	-	1,268	300	1,288
November	1,767	70	-	786	200	856
December	1,783	100	-	-	-	100
January	1,601	250	-	-	-	250
February	1,491	150	-	806	150	956
March	1,620	130	-	1,670	170	1,800
April	1,858	450	-	1,950	250	2,400
May	1,946	1,210	-	2,040	240	3,250
June	1,894	1,324	-	1,926	226	3,250
<b>TOTALS</b>	<b>21,689</b>	<b>6,058</b>	<b>-</b>	<b>16,692</b>	<b>2,432</b>	<b>22,750</b>

**NOTES:**

(1) Based on actuals November previous calendar year through October of current calendar year

**EXHIBIT D**  
**WASTEWATER RECLAMATION SYSTEM**  
**PROJECT DESCRIPTION**

**General description of the system**

The following facilities constitute the Wastewater Reclamation System, under the contract with the MRWPCA:

1. A structure to divert the flow of secondary treated wastewater from the effluent pipeline of the existing regional treatment plant;
2. A pump station and pipeline to pump treated effluent to the tertiary treatment plant;
3. The 29.6 mgd tertiary treatment plant, consisting of coagulation, flocculation, filtration, and disinfection facilities;
4. Storage pond for tertiary treated water, with approximately 80 acre-feet of storage capacity;
5. Two pipelines connecting the reclamation facilities to the Castroville Seawater Intrusion Project (CSIP):
  - a. A 54-inch diameter-main line from the Storage Pond, under the river, and connected to CSIP.
  - b. A 27-inch diameter pipeline lateral under the Salinas River between portions of CSIP



## EXHIBIT E

### CALCULATION OF PCA PAYMENTS PURSUANT TO SECTION 15.03 OF THIS WATER RECYCLING AGREEMENT

As required by Section 17.08 of this Water Recycling Agreement, PCA shall pay the Actual Costs of tertiary treated water to which it takes delivery for its use. The Actual Costs will be calculated from the cost components which comprise PCA's existing budget and actual spreadsheet model(s) for the annual SVRP and CSIP costs.

The four cost elements that compromise the Actual Costs will be computed as follows:

- (1) **SVRP O&M Costs:** The SVRP O&M budget will be calculated based on the Total Tertiary Treated Water Production needed to serve both the CSIP and M&I uses of tertiary treated water. The amount to be paid by PCA will be computed using the formula below, in which:
- A= Total Tertiary Treated Water Production, AFY  
B= Tertiary Treated Water Production delivered to PCA for PCA use, AFY  
C = Total O&M Expenditures from the SVRP O&M budget, excluding debt service  
D = Amount to be paid by PCA

$$D = \frac{B}{A} \times C$$

- (2) **Supplemental Well Pumping Cost:** The amount to be paid by PCA will be computed as indicated in Section 2.G. of Amendment No. 3.

S = Amount to be paid by PCA

- (3) **SWRCB Loan Contract Debt Service:** The amount to be paid by PCA will be computed using the formula below, in which:

A= Total Tertiary Treated Water Production, AFY  
B = Tertiary Treated Water Production delivered to PCA for its use, AFY  
E = SVRP SWRCB Loan Debt Service  
F = Amount to be paid by PCA

$$F = \frac{B}{A} \times E$$

- (4) **Bureau Loan Contract Debt Service:** The amount to be paid by PCA will be computed using the formula below, in which:

A = Total Tertiary Treated Water Production, AFY  
B = Tertiary Treated Water Production delivered to PCA for its use, AFY  
G = SVRP Bureau Loan Debt Service, computed pursuant to Article 9 (b) (1) and 9 (c) of Bureau Loan Contract  
H = Additional interest charged by the Bureau for the Bureau loan on the SVRP pursuant to Article 9 (b) (2) of Bureau Loan Contract  
I = Amount to be paid by PCA

$$I = \frac{B}{A} \times G + H$$

**TOTAL PCA PAYMENTS= D + S + F + I**

## EXHIBIT F

### OPERATION AND MAINTENANCE ESTIMATED TREATMENT COSTS

These are the fees for primary and secondary treatment using the interruptible rate

The Equation for Special Users (using Ag Wash Water as example):

Where

- K = Annual user charge for each user
- V = Average daily flow in mgd (current estimate 3.332 mgd)
- B = Average BOD concentration in mg/L (current 735 mg/L)
- S = Average SS concentration in mg/L (current 282 mg/L)
- C = Annual customer charge (currently \$2.75)
- M = Annual maintenance charge (currently \$1,034.30)
- I = Annual insurance (currently \$0)
- L = Annual lab testing (currently \$0)
- T = Annual testing (currently \$0)
- R = Annual replacement funds (currently \$0 as covered by Article 3.01 5)

$$K = (71,757.72 * V) + (145.11 * V * B) + (149.99 * V * S) + C + M + I + L + T + R =$$

\$736,388.58/year or \$197.32/AF

**Table 1:** Approved Rate Equation Factors for FY15/16 and FY16/17:

Equation Factors	Sewage Rate FY15/16	Interruptible Rate FY15/16	Interruptible Rate FY16/17
Flow (\$/mgd)	\$666,000.00	\$71,757.72	\$74,125.73
BOD (\$/mgd*mg/L)	\$789.00	\$145.11	\$149.90
SS (\$/mgd*mg/L)	\$326.00	\$149.99	\$154.94

Approved by PCA Board October 8, 2015

**Table 2:** Those rate equation factors result in the following interruptible rates:

Water Type	FY15/16 Rate (\$/AF)	FY16/17 Rate (\$/AF)
Ag Wash Water	\$197.32	\$203.83
Blanco Drain	\$73.90	\$76.34
Reclamation Ditch	\$76.92	\$79.46
Pond Water (Ag Wash and Storm)	\$83.20	\$85.95
Tembladero Slough	\$91.02	\$94.02
Salinas Storm Water	\$68.52	\$70.78
Lake El Estero	\$68.32	\$70.57

The above rates are based on flow (V), biochemical oxygen demand (B), and total suspended solids (S) of the New Source Waters. Changes in the water characteristics will change the fee. The Board will consider revising the fees as part of the FY17/18 budget process.

[illegible]

## **EXHIBIT H**

### **Debt Service & Amortization Schedule**

#### **Salinas Valley Reclamation Plant (SVRP) United States Bureau of Reclamation Loan**

**Loan Number:**

**Contract Number: 5-07-20-W1284**

Original Principal	\$ 20,444,141.34
Current Principal (as of 6/30/14)	\$ 14,694,226.56
Term	35 years (2003 – 2037)
Rate	Variable 2.27%
Principal Payment	\$ 638,879.42
Interest	\$ 344,901.42 (variable)
IDC	\$ 183,000.00 (variable)
Ending Principal (as of 6/30/15)	\$ 14,045,923.94

<b>Total Payment for 2015:</b>	<b>\$ 1,180,169.88 (actual)</b>
--------------------------------	---------------------------------

Notes:

Annual payment on this loan is due on or around April, 11<sup>th</sup>. Invoice received by PCA from USDOl Bureau of reclamation. PCA invoices WRA for loan payment. Loan paid out of fund 132. Full amount is paid out of object 7201. Emergency Reserve Fund under Section 20 of the USBR Contract stipulates that annual deposits of \$13,000 will be made until the account reaches \$130,000 which is where it currently resides. Interest is still payable annually to the USBR. **The current Emergency Reserve amount is \$134,456.24.**

#### **Salinas Valley Reclamation Plant (SVRP) State Water Resources Control Board**

**Loan Number: C-06-4017-210**

**Contract Number: 5-804-550-0**

Original Principal	\$ 9,319,708.22
Current Principal (as of 6/30/14)	\$ 2,342,999.55
Term	20 years (1999 – 2018)
Rate	3.10%
Principal Payment	\$ 559,446.56
Interest	\$ 72,643.61
IDC	None
Ending Principal (6/30/15)	\$ 1,783,552.99

<b>Total Payment for 2015:</b>	<b>\$ 632,090.19 (actual)</b>
--------------------------------	-------------------------------

Notes:

Annual payment on this loan is due on or around March, 6<sup>th</sup>. Invoice received by PCA from SWRCB. PCA invoices WRA for loan payment. Loan paid out of fund 132. Full amount is paid out of object 7201. Article 8 of this contract requires a Wastewater Reserve Fund. **The current amount in this reserve is \$120,000 held by MRWPCA and \$129,160.31 held by MCWRA.**

**New Source Water Facilities**

**State Water Resources Control Board**

Original Principal	\$3.9 Million (estimated)
Term	30 Years
Rate	1% (estimated)
Estimated Principal Payment	\$112,117 (variable)
Estimated Interest Payment	\$39,000 (variable)
Estimated Total Annual Debt Service	\$151,117

Notes: Invoice projected to be received by PCA from the SWRCB. PCA will invoice WRA for the loan payment.

**Salinas Valley Reclamation Plant  
US Bureau of Reclamation Loan**

	Year	Principal Payment	Interest on Loan	Total IDC Pmt	Total Payment	Loan Balance	Interest Rate
2003	1	0	375,218.99	141,384.78	516,603.77	20,444,141.34	1.835%
2004	2	0	375,218.99	141,384.77	516,603.76	20,444,141.34	1.835%
2005	3	0	353,238.99	133,124.46	486,363.45	20,444,141.34	1.728%
2006	4	638,879.42	403,746.24	152,159.02	1,194,784.68	19,805,261.92	1.975%
2007	5	638,879.42	419,520.01	163,203.77	1,221,603.20	19,166,382.50	2.118%
2008	6	638,879.42	410,371.42	164,966.23	1,214,217.07	18,527,503.08	2.141%
2009	7	638,879.42	417,883.20	173,778.52	1,230,541.14	17,888,623.66	2.255%
2010	8	638,879.42	403,473.43	173,778.52	1,216,131.37	17,249,744.24	2.255%
2010 Interest Correction			2,455.22	1,057.48			
2011	9	638,879.42	401,295.89	179,242.15	1,222,930.16	16,610,864.82	2.326%
2012	10	638,879.42	389,888.83	180,828.36	1,209,596.61	15,971,985.40	2.347%
2013	11	638,879.42	374,893.10	180,828.36	1,194,600.88	15,333,105.98	2.347%
2014	12	638,879.42	359,897.13	180,828.36	1,179,604.91	14,694,226.56	2.347% Est
2015	13	638,879.42	344,901.42	183,000.00	1,166,780.84	14,055,347.14	2.347% Est
2016	14	638,879.42	329,905.70	183,000.00	1,151,785.12	13,416,467.72	2.347% Est
2017	15	638,879.42	314,909.99	183,000.00	1,136,789.41	12,777,588.30	2.347% Est
2018	16	638,879.42	299,914.27	183,000.00	1,121,793.69	12,138,708.88	2.347% Est
2019	17	638,879.42	284,918.56	183,000.00	1,106,797.98	11,499,829.46	2.347% Est
2020	18	638,879.42	269,922.85	183,000.00	1,091,802.27	10,860,950.04	2.347% Est
2021	19	638,879.42	254,927.13	183,000.00	1,076,806.55	10,222,070.62	2.347% Est
2022	20	638,879.42	239,931.42	183,000.00	1,061,810.84	9,583,191.20	2.347% Est
2023	21	638,879.42	224,935.71	183,000.00	1,046,815.13	8,944,311.78	2.347% Est
2024	22	638,879.42	209,939.99	183,000.00	1,031,819.41	8,305,432.36	2.347% Est
2025	23	638,879.42	194,944.28	183,000.00	1,016,823.70	7,666,552.94	2.347% Est
2026	24	638,879.42	179,948.56	183,000.00	1,001,827.98	7,027,673.52	2.347% Est
2027	25	638,879.42	164,952.85	183,000.00	986,832.27	6,388,794.10	2.347% Est
2028	26	638,879.42	149,957.14	183,000.00	971,836.56	5,749,914.68	2.347% Est
2029	27	638,879.42	134,961.42	183,000.00	956,840.84	5,111,035.26	2.347% Est
2030	28	638,879.42	119,965.71	183,000.00	941,845.13	4,472,155.84	2.347% Est
2031	29	638,879.42	104,969.99	183,000.00	926,849.41	3,833,276.42	2.347% Est
2032	30	638,879.42	89,974.28	183,000.00	911,853.70	3,194,397.00	2.347% Est
2033	31	638,879.42	74,978.57	183,000.00	896,857.99	2,555,517.58	2.347% Est
2034	32	638,879.42	59,982.85	183,000.00	881,862.27	1,916,638.16	2.347% Est
2035	33	638,879.42	44,987.14	183,000.00	866,866.56	1,277,758.74	2.347% Est
2036	34	638,879.42	29,991.43	183,000.00	851,870.85	638,879.32	2.347% Est
2037	35	638,879.32	14,995.71	183,000.00	836,875.03	0	2.347% Est

**Salinas Valley Reclamation Plant  
SWRCB - State Revolving Fund Loan**

Year		Principal Payment	Interest on Loan	Total Payment	Loan Balance
3/31/1998 Balance					9,319,708.22
3/31/1999	1	0	632,672.76	632,672.76	9,319,708.22
3/31/2000	2	626,019.10	6,653.66	632,672.76	8,693,689.12
3/31/2001	3	365,193.60	267,479.16	632,672.76	8,328,495.52
3/31/2002	4	376,514.61	256,158.15	632,672.76	7,951,980.91
6/30/2002 Adj		72,591.27	-72,591.27	0	7,879,389.64
3/31/2003	5	387,829.11	244,261.08	632,090.19	7,491,560.53
3/31/2004	6	399,851.81	232,238.38	632,090.19	7,091,708.72
3/31/2005	7	412,247.22	219,842.97	632,090.19	6,679,461.50
3/31/2006	8	425,026.88	207,063.31	632,090.19	6,254,434.62
3/31/2007	9	438,202.72	193,887.47	632,090.19	5,816,231.90
3/31/2008	10	452,279.63	170,810.56	623,090.19	5,363,952.27
3/31/2009	11	465,807.67	166,282.52	632,090.19	4,898,144.60
3/31/2010	12	480,247.71	151,842.48	632,090.19	4,417,896.89
3/31/2011	13	495,135.39	136,954.80	632,090.19	3,922,761.50
3/31/2012	14	510,816.84	121,273.35	632,090.19	3,411,944.66
3/31/2013	15	526,319.91	105,770.28	632,090.19	2,885,624.75
3/31/2014	16	542,635.82	89,454.37	632,090.19	2,342,988.93
3/31/2015	17	559,457.53	72,632.66	632,090.19	1,783,531.40
3/31/2016	18	576,951.78	55,138.41	632,090.19	1,206,579.62
3/31/2017	19	594,686.22	37,403.97	632,090.19	611,893.40
3/31/2018	20	611,893.40	18,968.70	630,862.10	0

## New Source Water Facilities - Amortization Schedule

Loan amount	\$ 3,900,000.00
Annual interest rate	1.00 %
Loan period in years	30
Number of payments per year	1
Start date of loan	
Optional extra payments	

Loan summary	
Scheduled payment	\$ 151,117.64
Scheduled number of payments	30
Actual number of payments	30

Beginning Balance	Scheduled Payment	Total Payment	Principal	Interest	Ending Balance
\$ 3,900,000.00	\$ 151,117.64	\$ 151,117.64	\$ 112,117.64	\$ 39,000.00	\$ 3,787,882.36
\$ 3,787,882.36	\$ 151,117.64	\$ 151,117.64	\$ 113,238.82	\$ 37,878.82	\$ 3,674,643.54
\$ 3,674,643.54	\$ 151,117.64	\$ 151,117.64	\$ 114,371.21	\$ 36,746.44	\$ 3,560,272.33
\$ 3,560,272.33	\$ 151,117.64	\$ 151,117.64	\$ 115,514.92	\$ 35,602.72	\$ 3,444,757.42
\$ 3,444,757.42	\$ 151,117.64	\$ 151,117.64	\$ 116,670.07	\$ 34,447.57	\$ 3,328,087.35
\$ 3,328,087.35	\$ 151,117.64	\$ 151,117.64	\$ 117,836.77	\$ 33,280.87	\$ 3,210,250.58
\$ 3,210,250.58	\$ 151,117.64	\$ 151,117.64	\$ 119,015.14	\$ 32,102.51	\$ 3,091,235.44
\$ 3,091,235.44	\$ 151,117.64	\$ 151,117.64	\$ 120,205.29	\$ 30,912.35	\$ 2,971,030.16
\$ 2,971,030.16	\$ 151,117.64	\$ 151,117.64	\$ 121,407.34	\$ 29,710.30	\$ 2,849,622.82
\$ 2,849,622.82	\$ 151,117.64	\$ 151,117.64	\$ 122,621.41	\$ 28,496.23	\$ 2,727,001.40
\$ 2,727,001.40	\$ 151,117.64	\$ 151,117.64	\$ 123,847.63	\$ 27,270.01	\$ 2,603,153.78
\$ 2,603,153.78	\$ 151,117.64	\$ 151,117.64	\$ 125,086.10	\$ 26,031.54	\$ 2,478,067.67
\$ 2,478,067.67	\$ 151,117.64	\$ 151,117.64	\$ 126,336.96	\$ 24,780.68	\$ 2,351,730.71
\$ 2,351,730.71	\$ 151,117.64	\$ 151,117.64	\$ 127,600.33	\$ 23,517.31	\$ 2,224,130.37
\$ 2,224,130.37	\$ 151,117.64	\$ 151,117.64	\$ 128,876.34	\$ 22,241.30	\$ 2,095,254.04
\$ 2,095,254.04	\$ 151,117.64	\$ 151,117.64	\$ 130,165.10	\$ 20,952.54	\$ 1,965,088.94
\$ 1,965,088.94	\$ 151,117.64	\$ 151,117.64	\$ 131,466.75	\$ 19,650.89	\$ 1,833,622.18
\$ 1,833,622.18	\$ 151,117.64	\$ 151,117.64	\$ 132,781.42	\$ 18,336.22	\$ 1,700,840.76
\$ 1,700,840.76	\$ 151,117.64	\$ 151,117.64	\$ 134,109.23	\$ 17,008.41	\$ 1,566,731.53
\$ 1,566,731.53	\$ 151,117.64	\$ 151,117.64	\$ 135,450.33	\$ 15,667.32	\$ 1,431,281.20
\$ 1,431,281.20	\$ 151,117.64	\$ 151,117.64	\$ 136,804.83	\$ 14,312.81	\$ 1,294,476.37
\$ 1,294,476.37	\$ 151,117.64	\$ 151,117.64	\$ 138,172.88	\$ 12,944.76	\$ 1,156,303.50
\$ 1,156,303.50	\$ 151,117.64	\$ 151,117.64	\$ 139,554.61	\$ 11,563.03	\$ 1,016,748.89
\$ 1,016,748.89	\$ 151,117.64	\$ 151,117.64	\$ 140,950.15	\$ 10,167.49	\$ 875,798.74
\$ 875,798.74	\$ 151,117.64	\$ 151,117.64	\$ 142,359.65	\$ 8,757.99	\$ 733,439.08
\$ 733,439.08	\$ 151,117.64	\$ 151,117.64	\$ 143,783.25	\$ 7,334.39	\$ 589,655.83
\$ 589,655.83	\$ 151,117.64	\$ 151,117.64	\$ 145,221.08	\$ 5,896.56	\$ 444,434.75
\$ 444,434.75	\$ 151,117.64	\$ 151,117.64	\$ 146,673.29	\$ 4,444.35	\$ 297,761.45
\$ 297,761.45	\$ 151,117.64	\$ 151,117.64	\$ 148,140.03	\$ 2,977.61	\$ 149,621.43
\$ 149,621.43	\$ 151,117.64	\$ 149,621.43	\$ 148,125.21	\$ 1,496.21	\$ -



**EXHIBIT I**

**Schedule of Amortized Replacement and Renewal Costs  
New Source Water Facilities  
DRAFT**

	PCA Proportional Share 54.9%	WRA Proportional Share 45.1%	Total Costs
<b>Estimated Original Cost - Equipment Requiring Replacement</b>			
Electrical Equipment & Sluice Gates (part of Construction Cost, above)	\$ 124,455	\$ 102,239	\$ 226,695
Instrumentation Equipment (part of Construction Cost, above)	\$ 16,177	\$ 13,289	\$ 29,466
Pumps & Motors	\$ 252,063	\$ 207,068	\$ 459,130
	\$ 392,695	# \$ 322,596	\$ 715,291
	Estimated Life	Replacement Frequency Thirty Year Term	Estimated Annual Proportional Amount (1)
<b>Estimated Annual Proportional Contribution</b>			
Electrical Equipment & Sluice Gates (part of Construction Cost, above)	30	1	38,747
Instrumentation Equipment (part of Construction Cost, above)	15	2	4,448
Pumps & Motors	20	1.5	68,263
<b>Estimated Annual Proportional Contribution</b>			<b>\$ 111,458</b>
		PCA Share	\$ 61,191
		WRA Share	\$ 50,268
(1) Annual inflation factor for replacement cost of equipment ( Based on Cal-American Water Company factor)	5.60%		

**EXHIBIT J**

DRAFT



**COST ALLOCATION PLAN  
OVERVIEW**

MRWPCA COST ALLOCATION PLAN

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A. Cost Allocation Plan Detail ..... Exhibit A

## PURPOSE

A Cost Allocation Plan is an analytical tool through which administrative or indirect services costs are apportioned to individual departments or cost centers within an organization. Allocated costs are typically termed "agency-wide overhead." Most overhead/indirect service costs are those expenditures that provide support services or oversight to each department, and typically include legislative, managerial, financial, administrative, legal, personnel, technology, building and equipment use, and risk management activities. Allocated costs may also include services within non-administrative/support services departments that provide targeted benefits to specific departments. A general example of this would be specific skill sets from one department that actually exist to provide support to a department outside its own.

A brief analysis of Monterey Regional Water Pollution Control's Agency's (MRWPCA) process for allocation costs are provided below:

1. Each department within MRWPCA's budget represents a unique function. Each department can be classified as either an administrative or operational unit. Administrative departments include Administration, Finance, Human Resources, Information Technology, Regional Treatment Plant Administration, and Safety. These departments provide support for the operational units. Costs associated with administrative departments are allocated to departments as either overhead or indirect services.
2. A review of line-item expenditures are conducted within each department to determine whether there are any significant costs which should be excluded or included as overhead. Examples of exclusions include one-time expenditures for capital outlay, transfers between funds, and debt service. The remaining "allocable" expenditures are considered costs for distribution to the operational departments.
3. MRWPCA assigns an allocation factor as the basis for distributing overhead/indirect service costs to departments or cost centers receiving support. Allocation factors include employee count, percentage of operating budget, and number of invoices. The factors represent approximately how much time each administrative position/department spends time supporting operational departments or programs. Ultimately, the allocation factor represents the actual or estimated workload of the allocated function and a reasonable method of apportioning benefit for the services received.
4. MRWPCA estimates the cost allocations at the beginning of the budget year based on the number of employees, percentage of budget, and the three year average number of invoices associated with each operational unit. Each administrative cost center is distributed across departments using the selected allocation factor for each cost center. This results in a total share of overhead/indirect service costs for each operational department / cost center. All costs applied throughout the year are based on actual operational department expenses incurred.
5. MRWPCA has established the Cost Allocation Plan included in this exhibit for the purpose of allocating overhead to shared and contracted services; and partner agencies. This cost

allocation plan was not established to be consistent with *Title 2, Code of Federal Regulations, Part 225, Cost Principles for State, Local, and Indian Tribal Governments (formerly known as OMB A-87)*. The primary goal of the Title 2 Plan is typically to obtain reimbursement of overhead costs associated with State and Federal grants.

The MRWPCA Cost Allocation Plan has been reviewed by an independent consultant, NBS, and has been determined to be reasonable for this specified use. The MRWPCA Cost Allocation Plan may be replaced at any time with a Plan that is compliant with Title 2, CFR, Part 225 for the purpose of obtaining reimbursement of overhead costs associated with State and Federal Grants.

## Data Sources

MRWPCA referenced the following data to support the development of the initial Cost Allocation Plan:

- Budgeted expenditures for Fiscal Year 2015/16
- Listing of all Agency positions by Department
- Number of invoices and purchase orders processed by each fund and department for Fiscal Years: 2012/13, 2013/14, and 2014/15

## SUPPORT SERVICE DEPARTMENT NARRATIVES

The full cost allocation plan allocates six administrative support departments to various operational department cost centers, based on a variety of factors. The plan identifies total allocable costs at approximately \$3.37 million from the following administrative units for distribution to the operating functions:

Budget Account	Allocable Department Budget	Total Allocable Expense
01-010	Administration	\$1,106,677
01-013	Finance	916,737
01-011	Human Resources	383,624
01-015	Information Technology	242,449
01-030	RTP Administration	415,631
01-016	Safety	305,165
	Total Administrative Allocations	\$3,370,283

The following paragraphs provide a brief description of each Administrative service department, along with a general explanation of how administrative costs are allocated to each functional department within the Plan.

### Administration (01-010)

The Administration Department is responsible for all aspects of administration, operation, and planning activities of the Agency staff. The General Manager and the Executive Assistant/Clerk to the Board's salaries are included in this budget. The Administration Department is responsible for assisting the Board with policy development, implementation of strategic goals, and providing Agency leadership and management. Costs include legal counsel, insurance, contract services, and utility costs for the Harris Court administrative offices. While the Stormwater Program Manager's salaries are included in the FY 15/16 personnel expenses, they are directly charged to

contracting entities and removed from the cost allocation. Insurance costs paid directly to the Monterey County Water Resources Agency for liability coverage associated with the Salinas Valley Reclamation Project, Castroville Seaside Intrusion Project, and the Salinas River Diversion Facility operations have also been excluded from the allocation.

The Administration Department budget, net of excludable line items, is charged to operational departments based on their percentage of the operational budgets.

#### **Finance (01-013)**

The Finance Department provides Agency-wide fiscal support including preparation of the Comprehensive Annual Financial Report, monthly financial reports; and the development and monitoring of the Agency's budget. The professional level Finance staff provide fiscal analyses and guidance to the General Manager, Board of Directors, partner agencies, and departments. Finance support staff provide accounts payable, payroll processing, procurement, project accounting, general ledger maintenance, and banking services.

Costs associated with Finance staff are allocated based on the following factors:

- Chief Financial Officer and Accountant's salaries; along with a proportional share of the Finance Department expenses are allocated based on the operational units percentage of the budget
- Accounting Technician, Procurement Specialist, and Administrative Support Specialist salaries; along with a proportional share of Finance Department expenses are allocated based on a three-year average of invoices processed by the operational units
- Accounting Specialist – Payroll, along with a proportional share of Finance Department expenses are allocated based on the percentage of full-time equivalent positions in each operating department

#### **Human Resources (01-011)**

The Human Resources Department supports the Agency by providing a wide range of personnel services such as benefits administration (health, dental, vision, employee assistance program), workers compensation, coordinating recruitment and selection; classification and compensation programs, as well as the administration of the Agency's personnel files, training records, medical files, and employee evaluations. The Department also provides employer/employee relations administrative services and contract negotiations, which includes employee and supervisory counseling on personnel policies, procedures, and practices; and providing assistance in handling of employee grievances.

- Costs associated with the Human Resources Department are allocated based on the percentage of full-time equivalent positions in each operating department

#### **Information Systems (001-015)**

The Information Systems Department is responsible for developing, maintaining, and facilitating the implementation of a sound and integrated IT architecture. This includes the installation, integration, evaluation, and maintenance of the Agency's local and wide area networks,

telephone, and audio video systems; while serving as a technical resource to staff on technology needs. The Information Systems Department defines, delivers, and supports strategic plans for implementing information technologies.

- The costs of the Information Systems budget are allocated based on the percentage of full-time equivalent positions in each operating department

#### **RTP Administration (01-030)**

The RTP Administration Department is a centralized support service team located at the Regional Treatment Plant Facility. The Assistant General Manager provides leadership to all departments located at the Regional Treatment Plant and works closely with the General Manager to accompany Agency goals. Costs included within this budget unit primarily consist of salary and benefits associated with the Assistant General Manager, Administrative Support Specialist, and office expenses.

All costs associated with the RTP Administration are allocated based on the following:

- General Manager salary and proportional share of expenses based on the operational department's percentage of the budget
- Administrative Support Specialist salary and proportional share of expenses based on the average percentage of budget and full-time equivalency positions within each operational department.

#### **Safety (01-016)**

The Safety Department provides service to all Agency employees through training and assistance in implementing safe work practices. The Safety Officer works to implement programs which meet and exceed Federal, State, and Regional requirements for work safety, contractor safety; and materials safety at all Agency facilities. The Safety Budget includes costs associated with Agency-wide safety training, protective equipment, and the safety shoe reimbursement program.

- Costs associated with the Safety Department are allocated based on the percentage of full-time equivalent positions in each operating department

#### **Additional Notes**

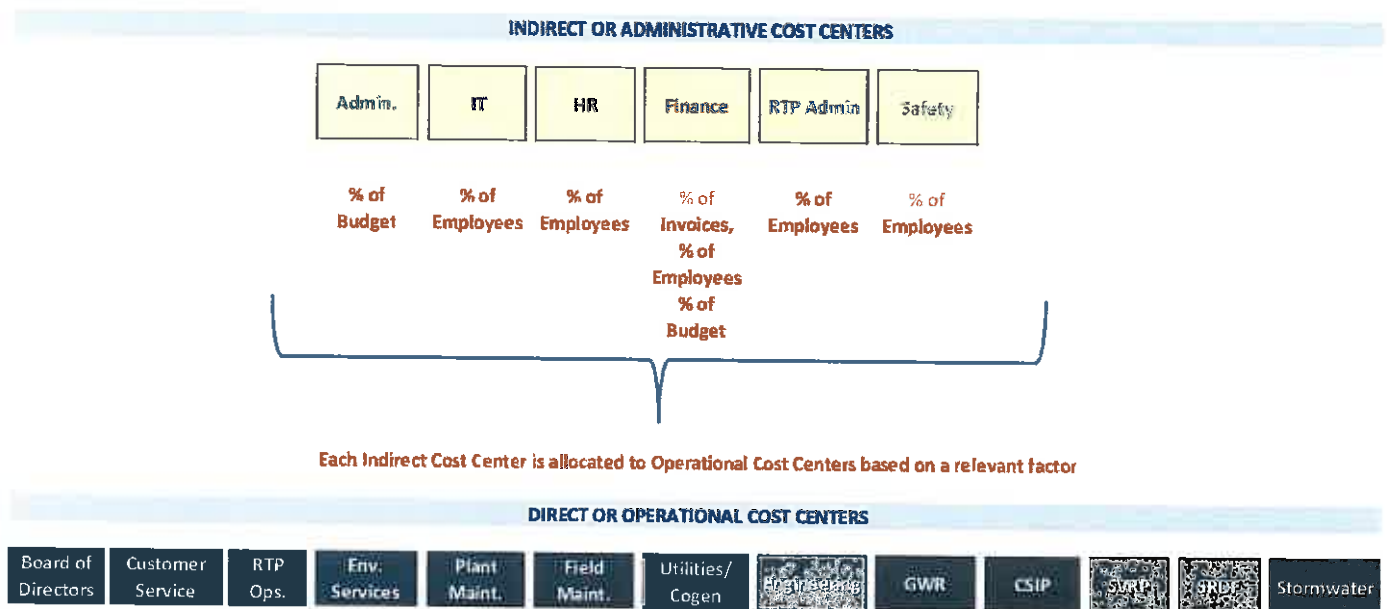
Administrative costs that are charged directly to specific functional areas or capital projects are not allocated as part of this cost allocation plan.

## **NAVIGATING THE COST ALLOCATION PLAN**

An overview of the MRWPCA Cost Allocation Plan is listed below and attached to this report.

- Agency-Wide Chart – Illustrates the departments identified as administrative cost centers and departments identified as operational cost centers. The allocation percentage of each administrative cost center is listed below each administrative cost function.

## MRWPCA Cost Allocation Plan Overview





**AMENDMENT NO. 1 TO  
AMENDED AND RESTATED WATER RECYCLING AGREEMENT  
BETWEEN MONTEREY COUNTY WATER RESOURCES AGENCY AND  
MONTEREY ONE WATER**

**THIS AMENDMENT NO. 1** to the Amended and Restated Water Recycling Agreement , dated November 3, 2015, (hereinafter, “Agreement”) between the Monterey County Water Resources Agency, a political subdivision of the State of California (hereinafter, “WRA”) and Monterey One Water (hereinafter, “M1W,” referred to in the Agreement as “PCA”) is hereby entered into between WRA and M1W (collectively, WRA and M1W are referred to as the “Parties”).

**WHEREAS**, the portions of Agreement applicable to the New Source Water Facilities will not become effective until the following conditions in Section 16.15 are met:

1. Water Rights for the Blanco Drain and Reclamation Ditch are obtained from the California State Water Resources Control Board; and,
2. A fully executed, and California Public Utilities Commission approved, Water Purchase Agreement, between MRWPCA, MPWMD, and California-American Water, is approved by the California Public Utilities Commission and executed by the parties thereto; and,
3. Written findings are made by the Regional Water Quality Control Board that utilization of the Blanco Drain dry weather flows as New Source Water meets all treatment requirements for the aforesaid dry weather flows; and,
4. An independent third-party review of proposed capital and operating costs and preparation of an Engineer’s Report is approved by the WRA Board of Directors and Board of Supervisors. The costs of the aforesaid third-party review shall be shared equally between WRA and M1W; and,
5. A successful assessment or Proposition 218 process for rates and charges related to the operation and maintenance of the New Source Water Facilities and proportional primary and secondary treatment charges; and,
6. Inclusion of Salinas Pond Water Return Facilities as New Source Water Facilities requires execution of a separate agreement between the Parties; and,

**WHEREAS**, the status of the conditions in Section 16.15 are as follows; conditions 1 and 2 are satisfied; conditions 3,4, and 5 are pending; and condition 6 has not yet commenced; and,

**WHEREAS**, the capital cost of the New Source Water Facilities are funded by M1W through grants and a low-interest loan from the State of California, Water Resources Control Board, State Revolving Funds with the first payment due on December 31, 2019; and,

**WHEREAS**, if all conditions in Section 16.15 are satisfied, the WRA’s share of the capital costs and the repair and replacement costs associated with the New Source Water Facilities are 45.1%; and,

**WHEREAS**, if all conditions in Section 16.15 are satisfied, the WRA shall pay M1W the proportional share of the capital cost loan payment annually 30 days prior to the due date and the proportional share of the amortized replacement/renewal costs annually by March 1<sup>st</sup>; and,

**WHEREAS**, the construction of the New Source Water Facilities will be substantially complete on August 23, 2019; and,

**WHEREAS**, the Parties now wish to amend the Agreement to extend the term of satisfying conditions described in Section 16.15 to June 30, 2020 with no associated dollar amount increase to continue to provide services identified in the Agreement.

**NOW, THEREFORE**, the Parties agree to amend the Agreement as follows:

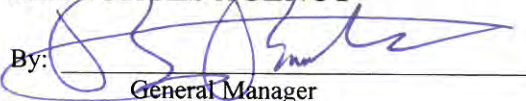
1. Amend Section 7.03, "Payment Schedule", to read as follows:

Modify section 1(c) to have the first payment due in 2020, and modify section 1(f) to have first payment due in 2021.

2. M1W has the right to utilize the New Source Water in full until such time the conditions set forth in Section 16.15 have been satisfied, and in connection therewith, and until such time, the provisions of Section 16.16 shall not be in operation or effect.
3. All other terms and conditions of the Agreement remain unchanged and in full force.
4. This Amendment No. 1 shall be attached to the Agreement and incorporated therein as if fully set forth in the Agreement.

IN WITNESS WHEREOF, the duly authorized representatives of the Parties hereto have executed this Amendment No. 1 to the Agreement as of the day and year first written below:

**MONTEREY COUNTY WATER  
RESOURCES AGENCY**

By:   
General Manager

Date: 8/26/19

**MONTEREY ONE WATER**

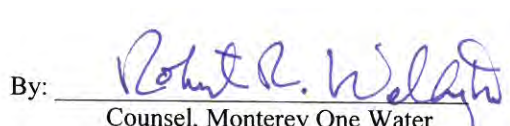
By:   
General Manager

Date: 7/22/19

**Approved as to Form**

By:   
Deputy County Counsel

Date: 8/21/19

By:   
Counsel, Monterey One Water

Date: 7/12/19

**Approved as to Fiscal Provisions**

By:   
Auditor-Controller

Date: 8-21-19

**Approved as to Indemnity, Insurance Provisions**

By: n/q KLD  
Risk Management

Date: \_\_\_\_\_

**AMENDMENT NO. 2 TO  
AMENDED AND RESTATED WATER RECYCLING AGREEMENT  
BETWEEN MONTEREY COUNTY WATER RESOURCES AGENCY AND  
MONTEREY ONE WATER**

**THIS AMENDMENT NO. 2** to the Amended and Restated Water Recycling Agreement, dated November 3, 2015 (hereinafter, “Agreement”) between the Monterey County Water Resources Agency, a political subdivision of the State of California (hereinafter, “WRA”) and Monterey One Water (hereinafter, “M1W”, referred to in the Agreement as “PCA”) is hereby entered into between WRA and M1W (collectively, WRA and M1W are referred to as the “Parties”).

**WHEREAS**, the portions of Agreement applicable to the New Source Water Facilities will not become effective until the following conditions in Section 16.15 are met:

1. Water Rights for the Blanco Drain and Reclamation Ditch are obtained from the California State Water Resources Control Board; and,
2. A fully executed, and California Public Utilities Commission approved, Water Purchase Agreement, between MRWPCA, MPWMD, and California-American Water, is approved by the California Public Utilities Commission and executed by the parties thereto; and,
3. Written finding by the Regional Water Quality Control Board that utilization of the Blanco Drain dry weather flows as New Source Water meets all treatment requirements for the aforesaid dry weather flows; and,
4. An independent third-party review of proposed capital and operating costs and preparation of an Engineer’s Report is approved by the MCWRA Board of Directors and Board of Supervisors. The costs of the aforesaid third-party review shall be shared equally between MCWRA and MRWPCA; and,
5. A successful assessment or Proposition 218 process for rates and charges related to the operation and maintenance of the New Source Water Facilities and proportional primary and secondary treatment charges; and,
6. Inclusion of Salinas Pond Water Return Facilities as New Source Water Facilities requires execution of a separate agreement between the Parties; and

**WHEREAS**, the status of the conditions in Section 16.15 are as follows; conditions 1 and 2 are satisfied; conditions 3,4, and 5 are pending; and condition 6 has not yet commenced; and

**WHEREAS**, the capital cost of the New Source Water Facilities are funded by M1W through grants and a low-interest loan from the State of California, Water Resources Control Board, State Revolving Funds with the first payment due in December 2020 and

**WHEREAS**, if all conditions in Section 16.15 are satisfied, the WRA’s share of the capital costs and the repair and replacement costs associated with the New Source Water Facilities are 45.1%; and

**WHEREAS**, if all conditions in Section 16.15 are satisfied, the WRA shall pay M1W the proportional share of the capital cost loan payment 30 days prior to the due date and the proportional share of the amortized replacement/renewal costs by March 1<sup>st</sup>, annually; and

**WHEREAS**, the construction of the New Source Water Facilities on the Blanco Drain and Reclamation Ditch are complete; and

**WHEREAS**, the Parties amended the Agreement on July 18, 2019 to extend the term of satisfying conditions described in Section 16.15 to June 30, 2020 with no associated dollar amount increase to continue to provide services identified in the Agreement; and

**WHEREAS**, the Parties now wish to amend the Agreement to extend the term of satisfying conditions described in Section 16.15 to June 30, 2021 with no associated dollar amount increase to continue to provide services identified in the Agreement.

**NOW, THEREFORE**, the Parties agree to amend the Agreement as follows:

1. Amend Section 7.03, "Payment Schedule", to read as follows:

Modify sections 1(c) to have first payment due in 2021, and modify section 1(f) to have first payment due in 2022.

2. M1W has the right to utilize the New Source Waters from the Blanco Drain (Water Right Application No. 32263A) and Reclamation Ditch (Water Right Application No. 32263B) Diversion Facilities in full until such time the conditions set forth in Section 16.15 have been satisfied, and in connection therewith, and until such a time the provisions of Section 16.16 shall not be in operation or effect.
3. All other terms and conditions of the Agreement remain unchanged and in full force.
4. This Amendment No. 2 shall be attached to the Agreement as amended and incorporated therein as if fully set forth in the Agreement.

IN WITNESS WHEREOF, the duly authorized representatives of the Parties hereto have executed this Amendment No. 2 to the Agreement as of the day and year first written below:

**MONTEREY COUNTY WATER  
RESOURCES AGENCY**

By:   
General Manager

Date: 7/14/2020

**Approved as to Form**

By: Kelly L. Donlon  
Deputy County Counsel

Date: 7/14/20

**MONTEREY ONE WATER**

By:   
General Manager

Date: 6/23/2020

By:   
Counsel, Monterey One Water

Date: 7/8/2020

**Approved as to Fiscal Provisions**

By: *Gary K Giboney*  
Auditor-Controller

Date: 7/14/2020

**Approved as to Indemnity, Insurance Provisions**

By: \_\_\_\_\_  
Risk Management

Date: \_\_\_\_\_



**AMENDMENT NO. 3 TO  
AMENDED AND RESTATED WATER RECYCLING AGREEMENT  
BETWEEN MONTEREY COUNTY WATER RESOURCES AGENCY AND  
MONTEREY ONE WATER**

**THIS AMENDMENT NO. 3** to the Amended and Restated Water Recycling Agreement, dated November 3, 2015 (hereinafter, “Agreement”) between the Monterey County Water Resources Agency, a political subdivision of the State of California (hereinafter, “WRA”) and Monterey One Water (hereinafter, “M1W”, referred to in the Agreement as “PCA”) is hereby entered into between WRA and M1W (collectively, WRA and M1W are referred to as the “Parties”).

**WHEREAS**, the portions of Agreement applicable to the New Source Water Facilities will not become effective until the following conditions in Section 16.15 are met:

1. Water Rights for the Blanco Drain and Reclamation Ditch are obtained from the California State Water Resources Control Board; and
2. A fully executed, and California Public Utilities Commission approved, Water Purchase Agreement, between MRWPCA, MPWMD, and California-American Water, is approved by the California Public Utilities Commission and executed by the parties thereto; and
3. Written finding by the Regional Water Quality Control Board that utilization of the Blanco Drain dry weather flows as New Source Water meets all treatment requirements for the aforesaid dry weather flows; and
4. An independent third-party review of proposed capital and operating costs and preparation of an Engineer’s Report is approved by the MCWRA Board of Directors and Board of Supervisors. The costs of the aforesaid third-party review shall be shared equally between MCWRA and MRWPCA; and
5. A successful assessment or Proposition 218 process for rates and charges related to the operation and maintenance of the New Source Water Facilities and proportional primary and secondary treatment charges; and
6. Inclusion of Salinas Pond Water Return Facilities as New Source Water Facilities requires execution of a separate agreement between the Parties.

**WHEREAS**, the status of the conditions in Section 16.15 are as follows; conditions 1 and 2 are satisfied; conditions 3,4, and 5 are pending; and condition 6 has not yet commenced.

**WHEREAS**, the capital cost of the New Source Water Facilities are funded by M1W through grants and a low-interest loan from the State of California, Water Resources Control Board, State Revolving Funds with the first payment made in December 2020.

**WHEREAS**, if all conditions in Section 16.15 are satisfied, the WRA’s share of the capital costs and the repair and replacement costs associated with the New Source Water Facilities are 45.1%.

**WHEREAS**, if all conditions in Section 16.15 are satisfied, the WRA shall pay M1W the proportional share of the capital cost loan payment 30 days prior to the due date and the proportional share of the amortized replacement/renewal costs by March 1<sup>st</sup>, annually.

**WHEREAS**, the construction of the New Source Water Facilities on the Blanco Drain and Reclamation Ditch are complete.

**WHEREAS**, the Parties entered into Amendment No. 1 to the Agreement on July 18, 2019 to extend the term of satisfying conditions described in Section 16.15 to June 30, 2020 with no associated dollar amount increase to continue to provide services identified in the Agreement.

**WHEREAS**, the Parties entered into Amendment No. 2 to the Agreement on July 14, 2020 to extend the term of satisfying conditions described in Section 16.15 to June 30, 2021 with no associated dollar amount increase to continue to provide services identified in the Agreement.

**WHEREAS**, the Parties now wish to amend the Agreement to extend the term of satisfying conditions described in Section 16.15 to June 30, 2022 with no associated dollar amount increase to continue to provide services identified in the Agreement.

**NOW, THEREFORE**, the Parties agree to amend the Agreement as follows:

1. Amend Section 7.03, "Payment Schedule", to read as follows:

Modify section 1(c) to have first payment due in 2022, and modify section 1(f) to have first payment due in 2023.

2. M1W has the right to utilize the New Source Waters from the Blanco Drain (Water Right Application No. 32263A) and Reclamation Ditch (Water Right Application No. 32263B) Diversion Facilities in full until such time the conditions set forth in Section 16.15 have been satisfied, and in connection therewith, and until such a time the provisions of Section 16.16 shall not be in operation or effect.
3. All other terms and conditions of the Agreement remain unchanged and in full force.
4. This Amendment No. 3 shall be attached to the Agreement as amended and incorporated therein as if fully set forth in the Agreement.

**IN WITNESS WHEREOF**, the duly authorized representatives of the Parties hereto have executed this Amendment No. 3 to the Agreement as of the day and year first written below:

**MONTEREY COUNTY WATER  
RESOURCES AGENCY**

By:   
General Manager

Date: July 16, 2021

**MONTEREY ONE WATER**

By:   
General Manager

Date: July 14, 2021



**Approved as to Form**

By: Kelly Z Donlon  
Deputy County Counsel

Date: July 15, 2021

By: Robert A. Williams  
Counsel, Monterey One Water

Date: July 14, 2021

**Approved as to Fiscal Provisions**

By: Gary K Giboney  
Auditor-Controller

Date: 7-15-2021

**Approved as to Indemnity, Insurance Provisions**

By: \_\_\_\_\_  
Risk Management

Date: \_\_\_\_\_

# Water Recycling Agreement Expenses Audit

July 22, 2024



2478 Tierra Dr, Los Osos, CA 93402

(805) 242-2071

[info@gppanalytics.com](mailto:info@gppanalytics.com)

[www.GPPAnalytics.com](http://www.GPPAnalytics.com)

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## Transmittal Letter

July 22, 2024

Board of Supervisors  
Monterey County Water Resources Agency (MCWRA)  
168 West Alisal St., 1st Floor  
Salinas CA 93901

Board of Directors  
Monterey County Water Resources Agency  
1441 Schilling Pl.  
North Bldg.  
Salinas, CA 93901

Rupa Shah, CPA  
Auditor-Controller  
County of Monterey  
168 West Alisal Street, 3rd floor  
Salinas, CA 93901

Dear MCWRA Board of Supervisors and Board of Directors, and Auditor-Controller Shah,

At the request of the Water Resources Agency (WRA), the Auditor-Controller's Office engaged GPP Analytics to conduct this audit to assess the accuracy and compliance of M1W's reported expenses. The Auditor-Controller's Office also helped administer the contract during the course of the audit.

I am pleased to present the audit report for the "Water Recycling Agreement Expenses Audit" conducted by GPP Analytics Inc. for the Monterey County Water Resources Agency and the Monterey County Auditor-Controller's Office. This report covers a detailed review of Monterey One Water (M1W) expenses from Fiscal Year 2018–19 to Fiscal Year 2021–22, focusing primarily on adherence to the terms of the Amended and Restated Water Recycling Agreement Between Monterey Regional Water Pollution Control Agency and Monterey County Water Resources Agency (the Agreement).

Our audit was conducted in compliance with the International Professional Practices Framework (IPPF) of the Institute of Internal Auditors and the Generally Accepted Government Auditing Standards (GAGAS) of the U.S. Government Accountability Office.

The primary objectives of our audit were to assess the accuracy and compliance of M1W's reported expenses. We employed a comprehensive methodology, including detailed data analysis, interviews, and reviews of relevant documentation.

**Finding 1: Noncompliant Indirect Cost Methodology.** We identified a difference in M1W's calculation of indirect costs compared to the methods outlined in the Agreement. This resulted in an estimated \$1,110,117.41 overcharge to the WRA in total for the four audit years. We recommend that M1W and the WRA revise and finalize its indirect cost plan to align with the requirements of the Agreement and return the overcharged amount to the WRA.

**Finding 2: Inconsistent Time Records.** M1W did not use a consistent method for recording and tracking time billed to the WRA. Moreover, we identified discrepancies between time recorded in the payroll system with independent entries into the work order system. While the work order system is not intended to replicate the payroll system in all instances, some of the discrepancies identified indicate that the payroll system cannot be assumed accurate. Because the information in the two systems was so discrepant, we could not determine if M1W over or under-billed the WRA for employee time. We recommend that M1W enforce internal controls for verifying time records for each payroll period and that it furnish detailed records to the WRA monthly.

**Finding 3: Noncompliance With Required Monthly Reporting.** Our analysis of monthly reports from M1W to the WRA, as required in the Agreement, ceased for a ten-month period. This was a breach of the Agreement and undermines the ability of WRA to monitor M1W's spending and use of the WRA's program resources. We recommend that M1W adopt a formal procedure for monthly reporting, assign it to a staff member, and develop a backup/succession plan for key deliverables due to the WRA to ensure long-term adherence to the Agreement.

**Finding 4: Accounting Practices and Limited Transparency.** We observed accounting practices that do not comply with the Agreement, and lack of transparency in M1W's handling of WRA's finances, leading to inconsistent financial reporting and questionable account balances reported by M1W. Disparities in cash balances indicate that M1W's accounting does not meet the requirements for segregating and tracking funds. The misalignment between reported financial data provided to the WRA and M1W's annual audits exacerbates this lack of clarity. Our recommendations include amending the Agreement for clear procedures, segregating WRA funds into distinct enterprise funds, and performing a separate annual financial audit of the WRA funds managed by M1W.

**Finding 5: Percent Overcharged.** Based on Finding 1, indirect cost methodology, we believe M1W overcharged the WRA by a total of \$1,110,117.41 for the four-year audit period. During each of the four years this was \$64,226.76 or 1.5% of FY 2018–19 expenses, \$175,362.29 or 3.7% in FY 2019–20, \$343,192.18 or 6.3% in FY 2020–21, and \$527,336.19 or 8.6% in FY 2021–22. We recommend that, per the Agreement, M1W reimburse the WRA for the total amount overcharged.

**Finding 6: Weak Control Environment.** Based on Findings 1-4, we do not believe M1W possesses an appropriate financial system and internal controls to effectively record, monitor, and allocate operational and maintenance costs in accordance with the Agreement. We recommend that M1W implement the recommendations detailed in those findings.

**Finding 7: Breaches of the Agreement.** Based on Findings 1-4, we believe M1W specifically breached several areas of the Agreement. We recommend both parties seek an update to the Agreement that will hold both parties more accountable and bring awareness of any problems managing the Agreement to both party's board of directors promptly.

We appreciate the cooperation and assistance provided by the staff of Monterey One Water, the Water Resources Agency, and the Auditor-Controller's Office throughout this audit. Their support was instrumental in the successful completion of this project.

We believe this report will provide valuable insights and recommendations to enhance the effectiveness of the Water Recycling Agreement's financial management. Should you require any further information or wish to discuss the findings in more detail, please feel free to contact us.

Thank you for entrusting GPP Analytics Inc. with this important assignment. We look forward to any future opportunities to assist the MCWRA Board of Supervisors and Board of Directors, and Auditor-Controller's Office.

Sincerely,

A handwritten signature in black ink, appearing to read "Julian Metcalf". The signature is fluid and cursive, with the first name "Julian" and last name "Metcalf" clearly distinguishable.

Julian Metcalf  
Partner and CEO  
GPP Analytics Inc.

## Introduction

This audit report presents the findings of the "Water Recycling Agreement Expenses Audit" conducted for the Monterey County Auditor-Controller by GPP Analytics Inc. The audit focused on reviewing Monterey One Water (M1W) expenses over four fiscal years (FY 2018–19 to FY 2021–22) and assessing compliance with the provisions of the Amended and Restated Water Recycling Agreement Between Monterey Regional Water Pollution Control Agency and Monterey County Water Resources Agency (the Agreement).

## Standards of Audit

This audit was conducted in accordance with the Institute of Internal Auditors (IIA) Professional Practices Framework (IPPF) and the U.S. Government Accountability Office's (GAO) Generally Accepted Government Auditing Standards (GAGAS);<sup>1, 2</sup> these standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## Audit Objectives and Methodology

The audit's objectives were to evaluate M1W's expenses during four fiscal years for compliance with the provisions of the Agreement. Key aspects included verifying if expenses for the Salinas Valley Reclamation Project (SVRP), Castroville Seawater Intrusion Project (CSIP), and Salinas River Diversion Facility (SRDF) were reasonably incurred, verifying direct and indirect costs were accurately documented, and assessing financial systems and internal controls. The audit aimed to verify proper record keeping, accurate reporting, accurate reconciliations, and compliance with the Agreement overall.

## Audit Timeline

The audit process was structured as follows:

**Entrance Conference:** August 24, 2023

**Submission of Planning Memo:** September 27, 2023, and revised on October 9, 2023

**Commencement of Testing Phase:** October 18, 2023

**Draft Report Submission to WRA staff:** January 31, 2024

**Draft Review Meeting with WRA staff:** February 9, 2024

**Draft Submission to M1W staff:** March 5, 2024

**Draft Review Meeting with M1W staff:** April 9, 2024

**Review of Additional Information From M1W staff concluded:** May 3, 2024

**Revised Draft Submission to WRA staff:** May 14, 2024

**Revised Draft Submission to M1W staff:** June 7, 2024

**Written response from M1W received:** June 26, 2024

**Final Report Submission to WRA:** July 22, 2024

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1 Institute of Internal Auditors, International Professional Practices Framework 2017.

2 United States Government Accountability Office's Government Auditing Standards 2018 Revision.

**In Phase 1**, our team focused on initial planning and data gathering. This involved comprehensive reviews of relevant documentation, such as the Water Recycling Agreement, financial reports, and internal policies. We conducted interviews with key M1W personnel to understand operational processes and the allocation of expenses. Additionally, we performed a preliminary analysis of M1W's financial systems and controls, laying the groundwork for in-depth testing in the subsequent phase.

**In Phase 2**, we conducted detailed fieldwork. This included a thorough examination of financial transactions, verification of compliance with the Water Recycling Agreement, and an in-depth assessment of internal controls and accounting practices. We assessed the accuracy of reported costs, scrutinized indirect cost allocation methods, and reviewed the documentation and timeliness of financial reporting. We performed two onsite visits to M1W facilities to gather and inspect records stored onsite. Near the conclusion of this phase, we met with M1W financial leadership where we shared our preliminary observations and provided copies of workpapers to allow M1W the opportunity to provide any preliminary feedback about their accuracy.

**In Phase 3**, the team focused on drafting the audit report, reflecting our comprehensive findings, analyses, and recommendations. This stage involved stringent quality control checks to ensure the report's accuracy and thoroughness. The draft underwent multiple reviews by the audit team, ensuring that all findings and recommendations were thoroughly substantiated and aligned with our audit standards.

After the exit conference held on April 8, 2024, M1W indicated that they had information to provide that was previously not provided to our audit team. Over the course of April 2024, we met with representatives of M1W to receive, review, and discuss new information, and listen to their additional feedback. Even though we had frequently met with M1W's financial leadership prior to providing them a draft copy of the audit report, and discussed our testing methodologies and hypothesis throughout the audit phases, M1W provided different feedback and some new material information. Despite the additional time this added to the audit process, we felt it was critical to hear their feedback and review the information. We concluded this additional review period following a meeting with M1W held on May 3, 2024. Thereafter we revised the draft report to reflect the new information provided.



## Results From Randomized and Judgmental Sample Analysis

There were several topics in the audit scope, related mostly to direct costs, which we determined could be analyzed together in the initial audit phase using a series of random and judgmental samples. These topics included segregated direct and indirect costs, the timing and categorization of expenditures, and the proper recording of financial transactions. The random and judgmental sample testing and analysis sought to verify the exclusion of non-reimbursable activities, ensure proper support for financial documentation, and assess the accuracy and appropriateness of reported costs in line with the requirements and agreements governing the projects.

At the end of the initial audit phase, we included the following sample plan to test these areas as detailed in Figure i.1 below.

**Figure i.1: Samples Calculated at a Confidence Level of 95% and a Confidence Interval of +/- 10%**

	FY 2018–19	FY 2019–20	FY 2020–21	FY 2021–22
<b>Sum of Invoices</b>	\$2,415,771.45	\$3,675,689.40	\$4,368,585.42	\$4,857,270.45
<b>Count of Invoices</b>	878	673	740	700
<b>Recommended Samples Size</b> (95% Confidence Level; 10% Margin of Error)	87	85	86	85
<b>Judgmental Sample Size of Journal Entries</b> (related to expenses not otherwise included in invoices or employee time)	10	10	10	10

*Source: Information drawn from reports in M1W's financial system run by the audit team.*

Our analysis found only minor problems with the invoices and journal entries. Our review of journal entries corroborated other areas of inquiry. For example, journal entries related to indirect cost charges lacked sufficient backup documentation, but that problem is discussed in Finding 1: Noncompliant Indirect Cost Methodology. Other journal entries corroborated our analysis of areas such as the amortization of debt, and application of interest earning, which did not result in an audit finding.

Figure i.2 shows the results from our random testing of invoices. The limited problems we did identify for M1W's accounts payable practices fall into two categories: method of cost allocation and a data entry error. First, we identified 11 invoices where the method for allocating the cost between M1W and WRA was not well-documented and appeared arbitrary. However, this problem mainly occurred for minor expenses, such as printer toner, where costs were evenly split between M1W and one of the WRA programs. The 11 invoices only accounted for a total of \$4,279.52 across the four audit years. If we extrapolate this out to the entire cost of all invoices in this period, it only represents 0.26% of costs. Given the small dollar amount, we do not believe it would be worth the time for M1W to develop, document, and implement a more sophisticated allocation method for these minor expenses.

Second, we found one invoice where the delivery date of the goods was mis-entered into M1W's financial system by three months. Due to the timing, this error did not change the fiscal year of the transaction and had only a minor impact. However, this one error was for an invoice valued at \$18,264.69, so it represents 1.09% of the costs across the four-year audit period. While that percentage on a dollar-basis could impact costs if the error occurred across a fiscal year, it was the only instance of the error out of 343 invoices reviewed, and we do not expect it to occur frequently.

**Figure i.2: Summary of Randomized Testing Results for All Four Audited Years**

<b>Results</b>	<b>Number of Samples</b>	<b>Amount Sampled</b>	<b>Percentage of Sampled Amount</b>	<b>Extrapolated Amount if Applied to All</b>
Passed	331	\$1,654,453.00	98.66%	\$15,131,868.95
Had limited or no allocation justification	11	\$4,279.52	0.26%	\$36,358.42
Delivery date entered in system incorrect	1	\$18,264.69	1.09%	\$149,089.35
<i>All invoices sampled</i>	<i>343</i>	<i>\$1,676,997.21</i>	<i>100.00%</i>	<i>\$15,317,316.72</i>
<i>Total population of all invoices for four years</i>	<i>2,264</i>	<i>\$15,317,316.72</i>	<i>n/a</i>	<i>n/a</i>

*Source: Audit team analysis of M1W's financial records.*

## Findings

### Finding 1: Noncompliant Indirect Cost Methodology

#### Indirect Cost Methodology Established in the Agreement

The Monterey County Water Resources Agency (WRA) and Monterey One Water (M1W), which at the time was referred to as the Regional Water Pollution Control Agency (PCA), entered into a formalized agreement titled “Amended and Restated Water Recycling Agreement Between Monterey Regional Water Pollution Control Agency and Monterey Resources Agency” (“The Agreement”). The Agreement established the method to be used by M1W in charging the WRA for indirect costs incurred in the operations of the Castroville Seawater Intrusion Project (CSIP), the Salinas River Diversion Facility (SRDF), and the Salinas Valley Reclamation Project (SVRP).

*“The consideration paid by WRA shall be the dollar amount that equals 100% of the annual costs reasonably and necessarily incurred in connection with the SVRP, CSIP, and SRDF (including both direct and indirect expenses) and no more.”<sup>3</sup>*

The Agreement also identified the functions to be considered as indirect costs. The Agreement states:

*“PCA [M1W] shall identify the specific functions that are typically considered administrative or supportive in nature. These functions or departments shall include Human Resources, Finance, Administration, Information Technology, and Safety. The annual budgeted costs of these functions will be allocated proportionally to all operational activities based on a percentage relational to the services provided to SVRP, CSIP, SRDF, and all other PCA activities. A sample overview is provided in Exhibit J, attached hereto made a part hereof.”<sup>4</sup>*

Exhibit J, referred to above, is a seven-page appendix to the Agreement. Exhibit J is titled Cost Allocation Plan (“the Plan”). The word “Draft” appears on the Plan’s title page. The Plan includes brief descriptions of each administrative service department categorized as an indirect cost, as well as the prescribed allocation methodologies. The department and their allocation methodologies as established in Exhibit J are described in Figure 1.1.

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3 Amended and Restated Water Recycling Agreement Between Monterey Regional Water Pollution Control Agency and Monterey Resources Agency, Section 7.02 Amounts to be paid. Page 19.

4 Ibid.

**Figure 1.1: Indirect Charge Allocation Methodology Defined in Exhibit J of the Agreement**

Indirect Charge Department	Method in Agreement's Exhibit J
<b>Administration</b>	1. "The Administration Department budget, net of excludable line items, is charged to operational departments based on their percentage of the operational budgets."
<b>Finance</b>	1. "Chief Financial Officer and Accountant's salaries; along with a proportional share of the Finance Department expenses are allocated based on the operational units percentage of the budget. 2. Accounting Technician, Procurement Specialist, and Administrative Support Specialist salaries; along with a proportional share of Finance Department expenses are allocated based on a three-year average of invoices processed by the operational units. 3. Accounting Specialist – Payroll, along with a proportional share of Finance Department expenses are allocated based on the percentage of full-time equivalent positions in each operating department."
<b>Regional Treatment Plant (RTP) Administration</b>	1. "[Assistant] General Manager salary and proportional share of expenses based on the operational department's percentage of the budget." 2. "Administrative Support Specialist salary and proportional share of expenses based on the average percentage of budget and full-time equivalency positions with each operational department."
<b>Human Resources (HR), Information Systems (IS), and Safety Departments</b>	1. "Costs associated with the Human Resources are allocated based on the percentage of full-time equivalent positions in each operation departments."

*Source: Amended and Restated Water Recycling Agreement Between Monterey Regional Water Pollution Control Agency and Monterey Resources Agency.*

### *M1W Applied a Singular Non-Compliant Methodology*

Instead of performing each separate calculation for each department, M1W applied the methodology prescribed for the Administration Department to all six indirect cost departments. This meant that M1W only calculated the percentage of total agency operational costs attributable to each of the three WRA programs.<sup>5</sup> That percentage was then applied to the total costs of the six indirect departments and WRA was charged the resulting amount. As discussed further below and seen in figure 1.2, the simplified calculation used by M1W resulted in a significantly higher amount charged to the WRA than would have been calculated had M1W used Exhibit J as described in the Agreement.

### *Cause and Start of Non-Compliance Unclear*

Because of prior staff turnover at M1W, we could not determine the reason M1W did not use the methodology described in Exhibit J, nor could M1W provide any records of when they may have previously complied with and used the methods defined in Exhibit J. The M1W Chief Financial Officer (CFO) explained that upon being given the task, he was shown the non-compliant methodology currently in use and he continued to use that method.

<sup>5</sup> Operational costs exclude debt service and overhead.

The complexity of the Appendix J model may have led to the decision to use the simpler method. The Agreement does allow the parties to agree to use a different methodology, but the non-compliant method that M1W used during the audit period did not meet these alternative requirements. The Agreement states:

*“PCA [M1W] and WRA retain the right to transition from the cost allocation plan identified in 8.02 (b) 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 subject to this provision shall be accompanied by a Certificate of Cost Allocation Plan and 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 cost to SVRP, CSIP or SRDF shall be made.”<sup>6; 7</sup>*

Neither M1W nor the WRA have any records or staff recollection of either party agreeing to the method that M1W used during the audit period, and there is no record of the methods M1W used during the audit period having a certificate stating compliance with Title 2 CFR, Part 200.

### *Sample and Draft Language*

Moreover, inclusion of the phrase “sample” in the table of contents and Section 8.03, and use of the word “Draft” on the Exhibit J title page do create a question whether the cost allocation methodology described in Exhibit J represents the finalized agreement as to the method to be used to determine the amount of indirect costs. However, there is no evidence that indicates M1W and WRA agreed to use an alternative methodology over the methodology described in Exhibit J. Further, the Agreement was approved by the boards representing M1W and the WRA and was signed by their respective Board Chairs and legal counsel. This suggests that despite being labeled a “draft” or “sample” Exhibit J represents the type of plan which both party’s boards sought to implement in the Agreement absent the alternative options outlined in the Agreement.

### *Non-Compliant Method Resulted in Overpayment*

Based on our analysis, the methodology used by M1W resulted in WRA being charged an estimated \$1,110,117.41 more than it would have been charged had the Exhibit J methodology been used.<sup>8</sup> Figure 1.2 below provides the amounts charged, the amounts that would have been charged if the Exhibit J methodology had been used, and the resulting overpayments.

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6 Amended and Restated Water Recycling Agreement Between Monterey Regional Water Pollution Control Agency and Monterey Resources Agency, Section 8.03 (4) Direct and indirect costs. Page 23.

7 The reference to Section 8.02 appears to be a typo as Section 8.03 is the section in which direct and indirect costs are addressed. Section 8.02 addresses financial reporting.

8 The audit team used data from M1W’s financial system, its annual financial audit reports, payroll records, and its proposed budget reports to reconstruct what the indirect costs would have been according to the method outlined in Exhibit J of the Agreement.

**Figure 1.2: Comparison of Calculated Indirect Cost Allocations**

	FY 2018–19	FY 2019–20	FY 2020–21	FY 2021–22	Four-Year Total
Total Actual Charged by M1W	\$761,034.26	\$853,193.00	\$1,019,609.88	\$1,129,332.29	\$3,763,169.43
Total Due Per Exhibit J as calculated by the audit team with supporting documentation	\$696,807.50	\$677,830.71	\$676,417.70	\$601,996.10	\$2,653,052.02
<b>Difference/Amount of Overpayment</b>	<b>\$64,226.76</b>	<b>\$175,362.29</b>	<b>\$343,192.18</b>	<b>\$527,336.19</b>	<b>\$1,110,117.41</b>

*Source GPP Analysis, M1W Detailed Budgets, and internal financial reports.*

The indirect cost amount of the WRA programs, as shown in Figure 1.3, revealed that in certain years, like FY 2021–22, these charges accounted for over 18% of the project's operating costs. In this one example, the amount charged was nearly double what was suggested by the methodology in Exhibit J.

**Figure 1.3: Comparison as a Percentage of WRA Project Operating Expenses**

	FY 2018–19	FY 2019–20	FY 2020–21	FY 2021–22	Four Year Average
Total Actual Charged by M1W	17.5%	17.9%	18.6%	18.4%	<b>18.1%</b>
Total Due Per Exhibit J Methodology	16.0%	14.2%	12.3%	9.8%	<b>13.1%</b>

*Source GPP Analysis and M1W Detailed Budgets.*

### Differing Perspective on the Application of the Exhibit J Methodology

As noted in the introduction of the audit report, we shared with M1W both our initial conclusion that M1W did not adhere to the cost allocation plan established in Exhibit J of the Agreement and our subsequent calculation as to the dollar amount that should have been charged based on the methodology prescribed in Exhibit J.

M1W performed its own calculation using the Exhibit J methodology with results that differed from ours. These differences resulted from a combination of differing interpretations of the Agreement and Exhibit J, differing opinions as to whether a portion of some specific M1W costs should be allocated to WRA, and our exclusion of certain costs that could not be evidenced by supporting documentation.

Figure 1.4 below presents the results of both our calculations and M1W's calculations when the Appendix J methodology is used to determine indirect costs allocations retroactively. For comparison purposes, the amounts M1W charged WRA are also included in Figure 1.4.

**Figure 1.4: Comparison of Calculated Indirect Cost Allocations**

	FY 2018–19	FY 2019–20	FY 2020–21	FY 2021–22	Four-Year Total
Total Actual Charged by M1W	\$761,034.26	\$853,193.00	\$1,019,609.88	\$1,129,332.29	<b>\$3,763,169.43</b>
Total Due Per Exhibit J as <b>calculated by the audit team with supporting documentation</b>	\$696,807.50	\$677,830.71	\$676,417.70	\$601,996.10	<b>\$2,653,052.02</b>
Total Due Per Exhibit J as <b>calculated by M1W without complete supporting documentation</b>	\$792,915.11	\$799,325.15	\$910,605.46	\$1,025,219.75	<b>\$3,528,065.46</b>

*Source GPP Analysis, M1W Detailed Budgets, internal financial reports, and M1W calculations.*

In general, we interpreted the Appendix J Cost Allocation Plan as narrowly defining the costs to be considered indirect costs. For example, we noted that the Cost Allocation Plan Overview lists the Board of Directors as being a direct or operational cost center and not an indirect or administrative cost center, though it is common to consider the Board of Directors to be an indirect cost. This exclusion suggested to us the Agreement intends to limit what is to be included as an indirect cost. Moreover, we also noted that Exhibit J establishes the requirement that M1W conduct “A review of the line-item expenditures as conducted within each department to determine whether there are any significant costs which should be excluded or included as overhead.” This also suggested to us that the Agreement intended there to be a close review by M1W of expenses to be included. Our interpretation suggests to us that M1W is responsible for annually reviewing the expenses to include as indirect costs and that this review should adhere closely to the definitions outlined in the Exhibit.

In contrast to our approach, M1W indicated to us that it interprets Section 8.03 of the Agreement, which states “PCA [M1W] shall identify the specific functions that are typically considered administrative or support in nature,” as superseding any details included in Exhibit J and allowing M1W a higher degree in latitude in determining what costs to include.

The factors which contributed to the differences between our and M1W’s calculations using the Appendix J methodology are discussed below.

### *Use of Full-Time Equivalents (FTE) Versus Use of Staff Persons in the Denominator*

Exhibit J involves multiple calculations that rely on the concept of Full-Time Equivalents or FTE to determine the allocation of indirect costs to WRA. For example, Exhibit J states that “Costs allocated with the Human Resources department are allocated based on the percentage of full-time equivalent positions in each operating department.” Similarly, FTE allocations are used to determine the portion of Information Systems and Safety Departments costs to be charged to WRA.

To perform calculations based on FTE, we used all the hours in the M1W payroll system divided by full time hours in a year to calculate FTE. In contrast, M1W used a pay period average of total staff persons per year. We disagree with M1W’s approach, which uses persons instead of FTE, and the averaging on a pay period basis instead of using the total annual hours entered into the system. Their calculation methods result in a material difference that changes the cost output from the plan and does not align with Exhibit J’s requirement to use FTEs in staff-related calculations of the Indirect Cost Plan.

### *Use of Operating Versus Operating and Capital Personnel in Denominator*

M1W excluded all staff time related to capital projects from the denominator used in several indirect cost calculations. On the surface, this makes logical sense, but it conflicts with their inclusion of staff who usually work in capital functions that directly bill to the WRA programs when calculating the numerator of the ratio. The audit team believes it is more mathematically accurate to include the same basis of FTE staff hours in the denominator of calculations.

Finding 2 of this report discusses the problems of M1W’s timekeeping records and the limitations of what we can assess based on their inconsistent records. If the current Indirect Cost Plan is maintained or a more effective plan is adopted later, any improved timekeeping records, as we recommend in Finding 2, would provide a more accurate input for determining indirect costs.

### *Amount of Distribution Mechanics’ Time to be Included*

M1W asserts that two Distribution Mechanics are dedicated to WRA-related work and therefore 2.0 FTE should be included when determining the ratio of M1W employees allocated to WRA. M1W further asserts that because these two employees are dedicated to WRA-related work, M1W practice does not require the employees to record whether their time was spent on WRA projects or non-WRA projects.

However, work order records do not support the assertion that these employees only worked on WRA projects. Moreover, M1W acknowledged that for much of the audit period these employees were furloughed from 40 hour to 36 hours per week as a result of COVID-19 safety measures.

Section 7.04 of the Agreement requires that “Back-up information (original paid invoices, payroll records, time sheets, and vehicle costs) will be maintained by PCA [M1W] to support each direct charge.” Assuming the requirement that back-up information be maintained applies to indirect as well as direct charges, then it is only appropriate to include the Distribution Mechanics’ time that is supported by work orders. Figure 1.5 compares the amount of time supported by documentation to M1W’s assertion regarding the Distribution Mechanics’ time.



**Figure 1.5: Distribution Mechanic Time in Work Order System**

	FY 2018–19	FY 2019–20	FY 2020–21	FY 2021–22
Total Hours in System Related to the WRA Programs	<b>160.75</b>	<b>520.15</b>	<b>2,020.50</b>	<b>1,466.65</b>
Hours Calculated as Full-Time Equivalents for Indirect Cost Model by Auditors <sup>9</sup>	<b>0.10</b>	<b>0.31</b>	<b>1.22</b>	<b>0.89</b>
<i>FTE that M1W Asserts Should be Included</i>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>	<b>2.0</b>

*Source GPP Analysis of M1W work order records.*

### *Exclusion Versus Inclusion of Outreach Department*

M1W asserts that if they had complied with Exhibit J, they would have included their Outreach Department as a cost allocated using the same methodology as their Administration Department. M1W states that the Outreach Department serves the WRA by providing legislative advocacy, grant funding advocacy, tours of program facilities, and classroom presentations about the programs. However, as discussed further below, M1W was not able to provide any documentation to validate or estimate the level of services the Outreach Department provides to the WRA.

Per M1W, the Outreach Department was a function within the Administration Department when Exhibit J was added to the Agreement in 2015 and that Outreach became its own department subsequent to Fiscal Year 2018–19.

We disagree with M1W’s approach that Outreach should be included as an indirect cost because of its original placement within the Administrative Department. We disagree because the narrative contained within Exhibit J specifies the administrative costs to be included. It states:

*“...Costs include legal counsel, insurance, contract services, and utility costs for the Harris Court administrative offices.”*

Moreover, Exhibit J specifically excludes certain general administrative and legislative expenses, such as those related to the Board of Directors. Instead, we believe the costs associated with the Outreach Department and its functions should be direct costs per our interpretation of the Agreement and Exhibit J.

According to M1W, they assumed that the Outreach Department was covered under indirect costs and did not document or track their time as direct charges. Such documentation and tracking, even if an indirect charge, would have been important in our opinion. This is because the department experienced considerable growth after becoming independent from the Administrative Department, as illustrated in Figure 1.6 below. During the audit period, the costs escalated from \$27,852 in FY 2018–19 to \$790,443 in FY 2021–22. Given the ambiguities surrounding the Outreach Department and its potential benefits to the WRA, it would have been prudent for M1W to disclose these escalating costs to the WRA. Such

<sup>9</sup> Based on our understanding of M1W’s maximum annual vacation, holiday, sick, and admin leave time we used 1,656 hours to calculate each FTE. A full year of full-time work with no leave considered is 2,080 hours for comparison.

transparency could have facilitated a consensus on whether to amend the Agreement to explicitly include these costs, ensuring proper financial oversight and alignment with agreed protocols in the Agreement. With this in mind, we do not believe it is appropriate to include the Outreach Department as a cost when retroactively estimating Exhibit J.

**Figure 1.6: Reported Costs of M1W’s Outreach Department**

	Integrated with Administration Department	Independent Outreach Department Formed		
	FY 2018–19	FY 2019–20	FY 2020–21	FY 2021–22
Reported Outreach Costs	\$27,852 <sup>10</sup>	\$502,645	\$614,982	\$790,443

*Source: Reported M1W Analysis.*

#### *Amount of Regional Treatment Plant Admin Support Personnel to be Included*

Exhibit J explicitly defines some calculations for the RTP (Regional Treatment Plant) Administration Costs to be based on proportional costs related to the staff roles of the Assistant General Manager and the Administrative Support Specialist. M1W asserts that this calculation should also include the salary of a staff member with the title of RTP Administrative Analyst because they were substituting for the Administrative Support Specialist for a period of time.

We disagree with including this cost for three reasons:

1. Despite M1W’s assertion that this was a substitution, the Administrative Support Specialist, as named in Exhibit J, did have a part-time salary that we included in our calculations. Adding another salary from a position not named in Exhibit J did not seem appropriate without more supporting evidence.
2. The RTP Administrative Analyst also directly billed time to the WRA programs. There is no documentation related to their time or assigned duties to determine if their directly charged activities were appropriately billed or if they should also be billed indirectly without the risk of double counting their time. Further, we have seen no documentation showing that they were temporarily assigned to substitute the Administrative Support Specialist role during the audit period.
3. Had M1W followed the Agreement and used Exhibit J, it is possible that M1W would have communicated this substitution to the WRA during their operations. If that had occurred, then the WRA may have had an opportunity to evaluate the appropriateness of including the different position as a substitution. Since there are no records of this occurring and M1W has stated that they did not follow Exhibit J, it does not seem appropriate to retroactively consider costs not named in Agreement.

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10 The audit team excluded the reported Outreach costs from the Fiscal Year 2018–19 costs used in our analysis of the Administration Department to be consistent with our interpretation of Exhibit J and our exclusion of the Outreach Department costs in the other three years.

### *Future Costs*

Besides some technical differences we noted in how calculations are performed, the other key differences relate to M1W documentation of costs. If the current Agreement remains unchanged, M1W may improve its documentation of some of these costs in question. If this occurs, one would expect the costs to increase. For example, if the two Distribution Mechanics are truly performing exclusive full-time work on the WRA programs these costs should be better documented and accounted for as they relate to both direct and in-direct charges. As mentioned above, we believe the costs of the Outreach Department should currently be considered direct costs based on the Agreement and Exhibit J. If those costs are tracked, documented, and included in the annual budget, it may be appropriate for the WRA to pay for those costs too.

### *Ambiguous Definitions*

Our interpretation of Exhibit J is grounded in an adherence to the available evidence regarding the intentions of both boards of directors. The application of this document has highlighted structural and methodological deficiencies that introduce ambiguities. Ideally, M1W would have engaged with the WRA annually to clarify these ambiguities as they arose and seek possible updates to the Agreement, but such interactions did not occur. We now recommend that both M1W and the WRA jointly review Exhibit J to develop and adopt a more effective indirect cost allocation plan and present it in a proposed amendment to the Agreement and clearly label it as a final and conclusive version of the plan if adopted. This updated plan should accurately reflect the current scope of programs and services and their associated costs, comply with Title 2 CFR, Part 200 as required in the Agreement, and facilitate clearer and more effective financial governance.

### *Recommendations*

The Water Resources Agency should:

- 1.1 Seek a refund in the amount of \$1,110,117.41.

The Water Resources Agency and Monterey One Water should:

- 1.2 Agree to and document the method to calculate indirect costs to be used in future years and amend the Agreement to reflect this decision. The selected method should be compliant with the requirements set Section 8.03 of the Agreement, and the Agreement should include a final version of the methodology and exclude words such as “sample” and “draft”.
- 1.3 Amend the Agreement to require that M1W must submit working papers that support and document the calculation of the indirect cost allocation amount charged to the WRA. The working papers should include sufficient detail for the WRA to verify how all calculations were made and any assumptions that were used in the calculations.

## Finding 2: Inconsistent Time Records

### The Agreement Established That Backup Information Will Be Maintained by M1W

The Agreement between Monterey County Water Resources Agency (WRA) and Monterey One Water (M1W) states in section 7.04, Payment procedures Part 3, that “...Back-up information (original paid invoices, payroll records, timesheets, and vehicle costs) will be maintained by PCA [M1W] to support each direct charge.”

### Salary and Benefits Represent a Quarter of All Operating Expenses

During the four years of the audit scope, M1W spent on average 25.2% of the three WRA program’s operating expenses on salary and benefit costs for M1W staff, see Figure 2.1 below. This illustrates that salary and benefit costs are a significant portion of the operating costs and warrant backup documentation as required by the Agreement for these direct charges.

**Figure 2.1: Salary and Benefits Were a Quarter of WRA Project Operating Costs**

	FY 2018–19	FY 2019–20	FY 2020–21	FY 2021–22
<b>Salary and Benefit Expenditures WRA Projects</b>	\$1,055,000.00 <sup>11</sup>	\$1,179,004.25	\$1,425,827.74	\$1,4666,10.62
<b>Total Operating Expenses for WRA Projects</b>	\$4,351,925.00	\$4,767,198.00	\$5,488,494.00	\$6,125,172.00
<b>% of Operating Expenses From Salary and Benefits</b>	<b>24.2%</b>	<b>24.7%</b>	<b>26.0%</b>	<b>23.9%</b>

*Source: Salary and benefits calculated from M1W’s financial system records. Total Operating Expenses calculated from M1W’s Combining Schedule of Revenues, Expenses, and Change in Net Position presented in the unaudited Other Supplementary Information section of their Annual Comprehensive Financial Reports.*

### M1W Uses Two Systems That Record Time

M1W employs two separate systems that record staff time: the asset-focused work order system called Lucity (a computerized maintenance management system or CMMS) and a timesheet system within the payroll module of Eden (M1W’s financial system). The two systems are not integrated at this time, but M1W staff said they could be integrated in the future.

Among other functions, Lucity tracks hours on asset and infrastructure work orders. M1W does not require a supervisor or managerial review of hours entered in the CMMS for work orders.

Conversely, Eden, M1W’s financial system, allows employees to record hours worked by billable function in timesheets for the agency’s biweekly payroll. Time entered by employees requires their manager’s biweekly review and approval. The time entered in the payroll module is the time used to charge labor costs to the WRA projects.

<sup>11</sup> As discussed in Finding 4 on page 25 of this report, M1W managed the WRA program funds within its General Fund in FY 2018-19 and in years prior. Since Figure 2.1 is provided for contextual purposes, we displayed that year’s salary and benefit costs based on what M1W reported as actual expenditures to the M1W Board. The other three years, beginning in FY 2019-20, we displayed expenditures we calculated from M1W’s financial system for the years when the WRA programs were held in the separate Reclamation Fund.

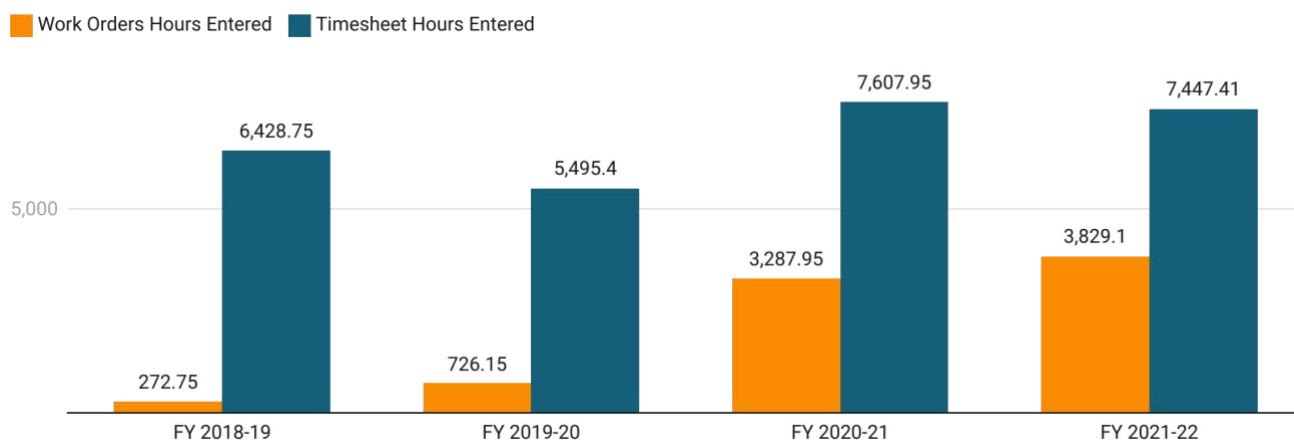
Though Lucy is intended for asset management and not payroll purposes, hours recorded in both systems should be roughly similar to each other since most work performed on the projects should otherwise be tracked and managed with work orders according to M1W's practices. In total, we would expect work order hours to be somewhat smaller since supervisors and managers may have administrative time related to managing staff and those hours would not be recorded in the Lucy work order system. However, in no instances would we expect a payroll record and a Lucy record to show contradictory entries for a specific block of time.

## The Two Systems Show Significant Disparities

We compared the time entered in both systems and found significant discrepancies. The patterns of their differences suggest that both systems are inaccurate since both systems are missing records from one-another. For example, in Fiscal Year 2021–22 the CMMS recorded 3,829.10 hours versus 7,447.41 in Eden, a 51.4% difference. In the same year, there are 13 personnel with hours in CMMS but not in Eden's timesheet, and 21 names in Eden but absent in CMMS for the same period.<sup>12</sup> These differences are much larger than expected. Given the number of staff who do not enter time in one or the other system, we think the difference is due to a larger systemic problem with M1W's time recording practices and controls.

Figure 2.2 below shows a comparison of the hours entered in each of the systems for each of the four years included in the audit scope. Figure 2.3 compares the number of staff entering hours into each system. Figure 2.4 shows the difference in reported time between the two systems and WRA's program by their estimated full-time equivalents (FTE).

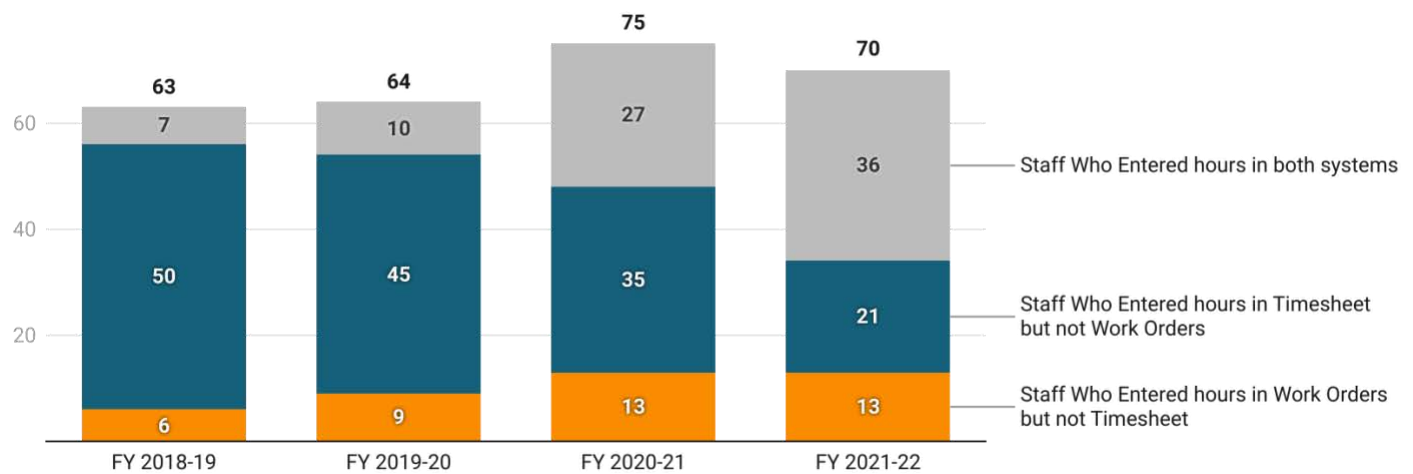
**Figure 2.2: Most Staff Enter Time in Timesheet Systems for WRA Projects but Not Work Order System**



*Source: Audit team analysis of M1W's Lucy (CMMS) work orders and payroll (Eden) timesheet records.*

<sup>12</sup> Both the CMMS work order data and the payroll timesheet data discussed here include only hours entered by M1W staff and excludes any work that may have otherwise been performed by outside vendors and contractors.

**Figure 2.3: Some Staff Only Enter Time in One System and Not the Other for WRA Projects**



Source: Audit team analysis of M1W's Lucy (CMMS) work orders and payroll (Eden) timesheet records.

**Figure 2.4: Difference in Reported Time Between System and Program Shown as Full-Time Equivalents (FTE)<sup>13</sup>**

	FY 2018–19	FY 2019–20	FY 2020–21	FY 2021–22
<b>Work Order (CMMS)</b>	<b>0.16</b>	<b>0.44</b>	<b>1.99</b>	<b>2.31</b>
CSIP	0.00	0.14	1.16	1.27
SRDF	0.16	0.29	0.40	0.12
SVRP	0.01	0.00	0.43	0.93
<b>Timesheet (Payroll)</b>	<b>3.88</b>	<b>3.32</b>	<b>4.59</b>	<b>4.50</b>
CSIP	0.48	0.46	1.11	1.09
SRDF	0.55	0.24	0.19	0.02
SVRP	2.85	2.62	3.29	3.38

Source: Audit team analysis of M1W's Lucy (CMMS) work orders and payroll (Eden) timesheet records.

<sup>13</sup> FTE estimated based on 1,656 possible working hours per full-time equivalent staff.

## Discrepant Records Caused by Several Factors

There are several factors that may have caused M1W to maintain inconsistent time records. First, M1W has no written policies or procedures for time entry in either system.<sup>14</sup> Without such a policy, M1W has no formal mechanism to hold employees accountable for regular and accurate time entry in either system.

Second, there is no effective process or control in place by which time billed to WRA is reviewed or compared to time recorded in the work order system. Certain reviews occur, but these reviews are limited in nature and do not serve to ensure accuracy or consistency between the time keeping and work order systems. The reviews are:

- Work order system information is reviewed but not compared to other information such as employee timesheets, according to the work order system manager.
- Supervisors approve individual timesheets of their direct reports on a biweekly basis, but there is no comprehensive or summary review of time billed to specific projects or programs.
- The Payroll Manager reviews timesheet entries but does not compare the entries to entries in the work order system.

## Poor Record-keeping Undermines Validity and Suggests the Time Billed to WRA Is Inaccurate

The discrepancy between the work order system and timekeeping system suggests that the time billed to the WRA programs is inaccurate, and it undermines the validity of either system, meaning neither serves as effective backup information as required in the Agreement. Between the two, we expect the payroll's timesheet information to be the most accurate since staff have a stronger incentive to report time worked in that system. Even with that consideration, the timesheet information may not be accurate given how many staff report time in only one system and not the other. Without more reliable backup information, the WRA has no way of evaluating if the time M1W billed to the WRA is accurate or should be higher or lower.

If the issues identified are not addressed, several significant risks and consequences could arise. Firstly, continued discrepancies in timekeeping records may lead to financial losses for either the WRA or M1W, due to inaccurate billing. Secondly, the lack of transparent and accurate timekeeping undermines trust and credibility, which are crucial for maintaining a positive working relationship between the WRA and M1W.

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<sup>14</sup> The only record we could identify of M1W directing staff to enter time regularly was from August 2022, when the manager of the work order system presented a training to operational staff that asked employees to "Add your time and materials daily for all work performed, if the Documentation of the time spent performing Maintenance and Operations tasks shall be recorded daily to ensure accuracy and accountability...".

## Recommendations

Monterey One Water should:

- 2.1 Write and implement an organization-wide policy where supervisors of staff who directly bill time to the WRA's projects review all work order time entered and timesheet time prior to approving timesheets for payroll. If the supervisor sees a possible discrepancy, the policy should direct them to reconcile the information in both systems before approving the timesheet. This will help improve the accuracy of data in both systems.
- 2.2 Once any necessary corrections have been made to work order or timesheet information, M1W should provide the WRA with detailed monthly reports of time from both systems. This will allow the WRA to monitor M1W's progress and better assess the accuracy of time billed.
- 2.3 Seek to integrate its work order time entry with its timesheet entry for payroll. Such an integration will improve staff compliance while also saving staff time by entering their billable hours in a single place.



## Finding 3: Noncompliance With Required Monthly Reporting

### The Agreement Requires M1W to Provide WRA With Monthly Expenditure Reports

The Monterey County Water Resources Agency (WRA) and Monterey One Water (M1W) entered into the Amended and Restated Water Recycling Agreement Between Monterey Regional Water Pollution Control Agency and Monterey County Water Resources Agency (the Agreement). Section 8.02 of the Agreement states that "by the last day of each month PCA [M1W] will provide to WRA a report on expenditures made during the previous month and year-to-date, for each line item in the SVRP, CSIP, and SRDF budgets [...]".

### Ten Month Gap in Reporting to WRA

Our audit documented that M1W failed to submit the required monthly expenditure reports to WRA for ten consecutive months, spanning from June 2022 to March 2023. This noncompliance was discovered through an examination of emails and reports provide to us from both M1W and WRA. While the condition occurred outside of the audit's four-year period, we determined that it was important to include it because of the recency of the occurrence, only months before the start of the audit, and it is illustrative of other reporting and transparency problems discussed throughout the audit report.

### Lack of Written Procedures and No Succession Planning

During our discussions with M1W personnel, it became apparent that the lapse in compliance was likely a result of the vacant Controller position at M1W. This lapse reveals a broader problem in M1W's Finance Department, which is that M1W lacks written procedures for critical duties related to the Agreement and lacks succession planning for key roles such as the Controller position. These circumstances are common among small departments, but the negative effects of them can still be mitigated through improved documentation and planning.

### Undermines Oversight and Is a Breach of the Agreement

This failure undermined the WRA's ability to conduct effective financial oversight of M1W's management of its funds and is a breach of the terms of the Agreement.

### Recommendations

Monterey One Water should:

- 3.1 Implement a formal procedure for monthly reporting, assigning this responsibility explicitly to designated staff.
- 3.2 Develop a backup plan or succession strategy for critical roles and responsibilities in the Finance Department, ensuring continuity in fulfilling key requirements of the Agreement, including the monthly expenditure reports.

## Finding 4: Accounting Practices and Limited Transparency

Our review of the processes by which Monterey One Water (M1W) accounts for and reports the financial activities of the Water Resources Agency (WRA) programs identified several shortcomings that resulted in multiple interconnected issues. These issues prevent transparency and impede oversight from occurring. As a result, and because processes have changed over time, the accuracy of the current WRA program account balance, as reported by M1W, is questionable.

A brief overview of the process by which M1W budgets and tracks WRA program expenditures and payments provides the context necessary to explain these issues.

### Contextual Background of Budget and Payment Process

The Agreement establishes that WRA shall pay “...the dollar amount that equals 100% of the annual costs reasonably and necessarily incurred in connection with the SVRP, CSIP, and SRDF (including both direct and indirect expenses) and no more”.<sup>15</sup> M1W is required to make reasonable efforts to stay within or below the amounts budgeted, and any budgeted savings are to apply to the following year’s budgets.

The budget for each WRA program consists of: amortization of any loans and any other financing; anticipated costs for operations, maintenance, repair, replacement, power, capitalized equipment, and capital improvements; contingencies; and reserves.<sup>16</sup> M1W submits a preliminary budget estimate to the WRA in December, in accordance with the Agreement.

The Agreement establishes that two annual payments are to be made for operation, maintenance, reserve, and all other budgeted costs. Payment is due on March 1 for costs incurred in the preceding July–December and payment is due September 1 for the preceding January–June period.

After fiscal year end, M1W submits an annual true-up report, referred to as a reconciliation statement.<sup>17</sup> The reconciliation statement serves to determine the extent to which WRA payments exceeded the amount expended during the year (referred to as ‘budget savings’). Budget savings are applied as payments to the following year’s budget.

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15 Amended and Restated Water Recycling Agreement Between Monterey Regional Water Pollution Control Agency and Monterey Resources Agency, Section 7.02.

16 Section 9.01 of the Agreement requires PCA [M1W] to establish a reclamation reserve fund for the repair and modification of SVRP, CSIP, SRDF and New Source Water Facilities and related facilities.

17 In this context, use of the term ‘reconciliation’ does not refer to a traditional bank reconciliation. The M1W reconciliation provides a reporting of the prior year’s expenditures and financial position.

## Reconciliation Statement Not Defined in Agreement

The Agreement does not establish the methodology by which the reconciliation statement is to be produced nor does the Agreement establish the reporting format. The Agreement just states:

*“Unused funds received from WRA will be placed by PCA [M1W] in an interest-bearing account. All interest earned from WRA accounts will be applied for WRA’s benefit on a monthly basis. PCA [M1W] will adjust the second semi-annual billing and year-end reconciliation statement by any interest earned on WRA accounts. [...]”<sup>18</sup>*

In theory, the reconciliation statement should be a reconciliation between the budgetary (cash) basis of accounting used to charge and receive funds from the WRA and the accrual basis used for accounting and reporting in an audited financial statement for each program. This reconciliation is equivalent to the Cash Flow Statement for each program, that would be included in a separately audited financial statement. However, as discussed further below in this report, the programs are not presented by M1W in a separately audited financial statement. Instead, the reconciliation statements have been provided by M1W using calculations that have varied between iterations. This limits the WRA’s ability to effectively monitor M1W’s use of WRA funds and their compliance with the Agreement.

Further, we identified several inter-related conditions and their resulting effects, which will be discussed below. They combine to reinforce the need to modify the Agreement to require M1W to produce a separate audited statement of the WRA programs to ensure full transparency and accountability.

## Inter-Related Problems We Identified

### *Conflicting Versions of Reconciliation Statements Sent by M1W*

In 2022, M1W sent several iterative versions of the reconciliation statements based on feedback from the WRA about how the available balance should be calculated. Each version had significantly different cash balances and calculated available funds. While the calculation of available funds could be interpreted differently because it is not specified in the Agreement, the cash balances should not have changed between versions. However, each version calculated the cash balance based on different cash accounts held by M1W. We think this occurred because cash and investments are an input into the calculation of available funds, and the differing versions of cash and investments appear to be drawn from different funds held by M1W. These reporting variances are only compounded by M1W’s accounting and reporting problems discussed further below in this finding. The combined problems limit the WRA’s ability to monitor M1W’s use of the WRA’s funds.

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18 Amended and Restated Water Recycling Agreement Between Monterey Regional Water Pollution Control Agency and Monterey Resources Agency, Section 7.02 part 3.

Figure 4.1 shows how the cash balances, which should not be a subjective calculation, changed between the initial and the final versions.

**Figure 4.1: Three Different Versions of Reconciliation Statements Submitted By M1W**

	Version 1 Revised Reconciliation – Sent by M1W 2/4/2022	Version 2 Revised Reconciliation – Sent by M1W 2/9/2022	Final Version Revised Reconciliation – Sent by M1W 5/22/2022
<b>Fiscal Year 2018–19 Cash Balance</b>	\$555,988.84	\$555,988.84	\$332,519.84
<i>Difference from previous</i>		0.00%	-67.20%
<b>Fiscal Year 2019–20 Cash Balance</b>	\$1,690,903.65	\$1,690,903.66	\$1,464,229.00
<i>Difference from previous</i>		0.00%	-15.48%
<b>Fiscal Year 2020–21 Cash Balance</b>	\$2,662,228.69	\$2,662,228.69	\$2,642,448.69
<i>Difference from previous</i>		0.00%	-0.75%

*Source: Analysis of emails and documents from M1W to WRA.*

#### *WRA Program Funds Never Properly Segregated*

Section 8.01 of the Agreement requires that the following occur:

*“PCA [M1W] will maintain an accounting system that in conformity with generally accepted accounting principles (GAAP) and will allow for the segregation and tracking of all revenues and direct costs relate to the SVRP, CSIP, and SRDF.”*

Full segregation of the SVRP, CSIP, and SRDF programs has not occurred, though improvements have been made. For the years prior to and including Fiscal Year (FY) 2018–19, M1W accounted for the three WRA programs within M1W’s General Fund. In FY 2019–20, M1W segregated WRA-related financial transactions from other M1W financial transactions by moving WRA programs into a separate fund known as the Reclamation Fund. The Reclamation Fund only includes the three WRA programs.

Although M1W has established several program-specific accounts within the Reclamation Fund, the cash balances of the three programs are maintained in a pooled cash account titled “02-000-1010 RECLAMATION ACCOUNT.” This practice is not compliant with the requirement that accounting practices “allow for the segregation and tracking of all revenues and direct costs related to the SVRP, CSIP, and SRDF,” as stated in Section 8.01 of the Agreement, if the statement is interpreted as meaning that the finances of each program should be segregated from the finances of the other two programs.

Moreover, when M1W has provided annual reconciliation statements to WRA, it has not routinely shown this pooled account, and instead performed a redistribution of the funds associated with each program. This practice lacks transparency and inhibits outside verification of the accuracy of the reported number, as illustrated in Figure 4.2.

**Figure 4.2: Pooled Cash Account Not Reported in Reconciliation Statements to the WRA, June 30, 2022, Balance**

	GPP Calculated	Reconciliation Statement
02-000-1010 RECLAMATION ACCOUNT	-\$719,970	<i>Not listed</i>
02-000-1192 INVEST. RECLAMATION O & M -LAIF	\$819,387	<i>Not listed</i>
02-000-1193 INVEST-RECLAM O&M-CSIP-LAIF	\$337,863	<i>Not listed</i>
02-000-1199 INVEST. SRDF O & M -LAIF	\$401,594	<i>Not listed</i>
SVRP	<i>n/a</i>	\$39,519
CSIP	<i>n/a</i>	-\$406,389
SRDF	<i>n/a</i>	\$1,211,622
<b>Cash Balance TOTAL</b> (excluding Capital and Debt Reserves)	<b>\$838,874</b>	<b>\$844,752</b>

*Source: GPP Analytics ran trial balance reports on M1W's financial system and compared them to a copy of revised reconciliation statement provided by WRA and M1W on July 21, 2022.*

M1W acknowledges the issues related to this practice and reports that it plans to move each program into its own fund at the start of Fiscal Year 2024–25. We agree with this approach and believe it will improve M1W's management of the funds and better enable WRA to fulfill its oversight responsibilities. However, given that errors occurred during the previous transition to the Reclamation Fund, we recommend that the WRA play an active role in first approving and reviewing how all WRA monies are redistributed into these separate funds.

#### *The Reclamation Fund Misstatement*

The FY 2021–22 Annual Consolidated Financial Report (ACFR) reported an error of \$600,428 reported by M1W to its financial auditors. The restatement occurred in the unaudited section of the ACFR that reports the WRA programs. The basis of the restatement comes from M1W reporting that in the FY 2019–20 transfer of WRA-related funds to the newly formed Reclamation Fund was “pulled incorrectly from liability instead of cash accounts.”

M1W's financial audit firm provided us with the following explanation regarding the error:

*“[...] it looks like our documentation references a discussion with [M1W] in FY 2022 regarding a multi-year reconciliation performed by the District. We noted that the District identified assets that should be recorded more appropriately in the General Fund rather than the Reclamation Fund. We did not detail out those assets because it did not impact the overall beginning net position of the main financial schedule.”*

During the course of our audit, M1W was not immediately able to provide any documentation regarding the alleged error, how they calculated it, or why they believe the amount that they restated is correct. However, during M1W's review of the draft audit report in April 2024, they were able to provide some additional documentation related to the cause of the misstatement. While the funds in question may have been appropriately returned to the M1W's general fund, the new information is further evidence of M1W's weak controls and oversight during the audit period.

According to emails sent from M1W's financial auditor:

*"[...] Looks like it was to correct M1W not posting an entry in FY 2019/2020."*

After speaking with M1W further, they recalled that the financial auditor had suggested the transfer should occur in Fiscal Year 2019–20 to offset a possible negative balance of cash and investments in the Reclamation Fund. However, M1W allegedly determined such a transfer was not needed, but stated that their financial auditor erroneously still posted the transfer in the ACFR for the Fiscal Year 2019–20. Thus, the ACFR in Fiscal Year 2020–21 needed to restate their erroneous posting.

The narratives from M1W and their financial auditor seem to put each other at fault, respectively. Reportedly, staff from the financial auditor who worked on the years in question are no longer with the firm to comment. In our opinion, this series of errors are unusual regardless of who is at fault. Had the WRA programs been managed in separate funds, and annually audited and reported as separate funds in the ACFR or other annual audit report, we believe this problem would have been avoided. This is because managing them and reporting them as separate funds would have resulted in the financial auditors considering all of M1W funds as distinct categories of money. In contrast, the financial audits that occurred during our four-year audit period were reported only on an agency-wide basis. This meant that the financial auditor did not have a reason to provide an opinion at the fund-level related to the WRA programs because the total overall financial schedules were in balance. Separately auditing these as distinct funds annually, as we recommend below, will help prevent similar problems and add greater financial transparency.

As a result of the limited and conflicting evidence, we are unable to make a recommendation about the final ownership of these funds. This is similar to Finding 2 related to the staff time records, where the poor quality of records and other conflicting records make us unable to make a determination at this time. Looking forward, to help M1W prevent similar errors in the future, it is critical that the WRA money M1W manages is audited and reported separately from its agencywide annual financial audits, and that M1W adopt the various other control recommendations in this report.

#### *Encumbrances Are Included When the Reconciliation Statements Are Prepared*

M1W's practice has been to account for encumbrances (amounts the organization reasonably plans to expend in the coming year based on existing contracts) when calculating the year-end balance, which was used to then calculate the available balance for the upcoming fiscal year. However, including encumbrances may lead to double-counting certain planned expenditures and incorrectly inflate the amounts subject to be paid by the WRA.

Instead, if our recommendation that M1W produce a separately audited statement of the WRA's programs is adopted, reporting encumbrances would no longer be necessary. By using the audited statements as the basis for comparison, both parties would be able to compare the budgeted amounts (prepared on a cash basis) against the actual expenses incurred by M1W as reported in the audited financial statements. The difference between the two would form the basis of the reconciliation and any resulting refund.

As such, we recommend that the Agreement be amended to require that the separately audited financial statement be used as the basis for the annual reconciliation and calculating any resulting refund due to the WRA. This eliminates the inclusion of encumbrances in the reconciliation statement and avoids the risk of incorrectly reporting the amounts subject to be paid by the WRA.

### *Reclamation Fund Information Is Not Subjected to Full Audit Procedures*

M1W reports the financial activities of the Reclamation Fund as part of a schedule known as a “Combining Statement” in the “Other Supplemental Information” section of its ACFR. The information is compiled by M1W’s financial auditors, but the auditors do not audit these numbers, nor do they provide an audit opinion whether the reported numbers are materially correct.

We recommend that the Agreement be modified to require that the WRA program funds be reported as individual enterprise funds and audited separately. This recommendation would enable the creation of Cash Flow Statements for each fund (created to track each WRA program) capturing the reconciling items in the audited Cash Flow Statements. It would also relieve both parties of separately performing the complex reconciliation steps between the cash basis and accrual basis of accounting, reducing the risk of error, and keeping the accounts, records, and reports clean and transparent. In doing so it would alleviate the need for interactive requests/explanations, monitoring, and disagreements between the parties.

We note that had this recommended practice been in place, the aforementioned issue of the \$600,428 misstatement may have been resolved in a timely manner or never occurred. In conjunction with this recommendation, we also recommend that the Agreement be modified to specify that the associated audit costs be included in the program’s annual budget.

### *Use Audited Financial Statements for Reconciliation Statement*

With an audited financial statement available for each of the WRA programs, a reconciliation statement is produced in the form of Cash Flow Statement, by comparing the budgeted program costs, which in turn represent the amount paid by the WRA to M1W, against the actual amount incurred in the audited statements. As stated previously, this alleviates both parties of complex calculations in the reconciliation process, reduces error risk, and adds assurance that the information used in the calculation is accurate and consistently calculated. We recommend that both the audited financial statements and the resulting reconciliation statement be due to the WRA by December 31 of each year. This provides M1W with six months after the end of the fiscal year to close its books, have the audit performed, and provide the information to the WRA. We recommend that the cost of the audits be included in the annual program budgets and thus paid for by the WRA. Even though the need for the audits is due to M1W’s prior control weaknesses, we believe that as an ongoing cost it is appropriate for this to be paid by the WRA to prevent even a small subsidy from M1W’s other programs and rate payers. We believe the additional cost of the audit to the WRA is worthwhile since it will improve accuracy during the annual reconciliation, and overall effectiveness to WRA’s oversight of the programs run by M1W.

### *Application of Reconciliation Statements and Refund*

The Agreement establishes that “all budgetary savings will be applied to the following year’s budgets,” meaning that each year’s savings rolls into the next year. However, given the demonstrated problems with M1W’s management and reporting of the WRA’s funds, we recommend that the Agreement be modified to require that following the issuance of the reconciliation statement that M1W issue the WRA a refund of any savings each year. This will help both parties better delineate the finances of each year and avoid the reporting challenges M1W faces when managing the WRA’s cash year-to-year. Since we also recommend that the reconciliation statements be provided to the WRA by December 31<sup>st</sup>, that means any refund that M1W issues would be halfway through the new fiscal year and alleviate the risk of any cash flow problems for M1W related to issuing a refund any earlier.



## Reserves

If our recommendation to perform an annual refund instead of rolling forward budget savings into the coming year is adopted, M1W may still require some level of reserves for cashflow purposes. The current agreement does not specify exact reserve amounts.

Instead of M1W holding reserves, as implied by the current Agreement, we recommend that the Agreement be updated so that the WRA instead holds reserve amounts for all operational, maintenance, and capital costs. The level of reserves should be calculated as 45 days working capital and the money held in Restricted Cash accounts. The 45 days working capital is based on the Government Finance Officers Association recommended best practice for “heavily subsidized” enterprise funds, such as those that are supported by an outside organization.<sup>19</sup> The operational reserve held by the WRA will allow the WRA to better monitor M1W’s spending and adherence to annual budgets. Section 7.02 of the Agreement says that the “PCA [M1W] will make all reasonable efforts to stay within, or below, the amounts budgeted [...]”. It is reiterated again in paragraph two of the section “[...] so long as the total budget amounts are not exceeded.” In our opinion, this implies that if M1W expects to exceed the budgeted amount, it should be communicated with the WRA. Given M1W’s history of financial reporting and documentation challenges, we believe that moving the operational reserve to the WRA will help ensure compliance with Agreement and work as an additional spending control. This would modify various portions in chapter seven of the Agreement.

In addition, we recommend that the Agreement be updated to specify that M1W hold reserve amounts based on all legally required debt service reserves. These reserves should be held in Restricted Cash accounts and be funded by the WRA at a level that will satisfy requirements related to the US Bureau of Reclamation loan and other future debt if issued.

## Recommendations

As discussed above, several changes are needed to achieve transparency, allow for oversight, and ensure the accuracy of the SVRP, CSIP, and SRDF financial records. A full list of our recommendations follows.

Monterey One Water and the Water Resources Agency should:

### 4.1 Amend the Agreement to reflect the following:

- Require that any funds related to the WRA's programs should be audited annually and reported in a separate annual audit report on these funds due to the WRA no later than December 31<sup>st</sup> of each year. The WRA's programs should be charged for these additional auditing costs.
- Require that the reconciliation statement be provided by M1W to the WRA annually by December 31<sup>st</sup> of each year.
- Require the reconciliation statement be produced by comparing the budgeted program costs against the actual amount incurred in the audited statements. This reconciliation statement shall be produced in the form of Cash Flow Statements in separate audited Financial Statement of WRA programs and will form the basis of any resulting refund.

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<sup>19</sup> Government Finance Officers Association, “Working Capital Targets for Enterprise Funds”, February 28, 2011. <https://www.gfoa.org/materials/working-capital-targets-for-enterprise-funds>. Accessed on February 29, 2024.



- Require that if budget savings are identified in the reconciliation statement, that such savings are applied by issuing a refund to the WRA no later than January 31<sup>st</sup>.
- Require M1W to maintain each WRA program, including any future programs or facilities, in separate enterprise funds for each program.
- Prohibit M1W from including encumbered funds in the annual reconciliation statements submitted to the WRA.
- Require that M1W cannot move monies between each individual enterprise fund established for each Water Resources Agency program.
- Require that the WRA hold reserve amounts in separate “Restricted Cash” accounts for each program to provide for an operational, maintenance, capital, and all other non-debt service costs based on 45 days working capital.
- Require that M1W hold reserve amounts in separate “Restricted Cash” accounts for each program funded by the WRA and based on all legally required debt service reserves.

Monterey One Water should:

- 4.2 Continue its required monthly reporting as discussed in Finding 3 of this audit report.
- 4.3 Move each program of the WRA into individual enterprise funds starting in Fiscal Year 2024–25. Prior to moving these funds, M1W should first get approval from the WRA on the specific redistribution of any pooled cash to be redistributed to the individual funds.

## Finding 5: Percent Overcharged

The audit scope included a review and quantification of annual expenses for the purposes of determining “whether M1W [Monterey One Water] overcharged annual costs to MCWRA [Monterey County Water Resources Agency (WRA)] by more than 5%” determining whether “M1W has been charging direct and indirect costs accurately to the three programs/facilities.”

### Indirect Cost Finding

As discussed in Finding 1 regarding the indirect cost methodology, we determined that the methodology used by M1W resulted in WRA being charged a cumulative \$1,110,117.41 more than it would have been charged had M1W used the methodology described in the Wastewater Recycling Agreement (the Agreement).

### Accounting and Reporting Practices Finding

A draft version of this audit report recommended that without documentation related to a misstatement of \$600,428 as discussed in Finding 4 that M1W should restate the amounts and reimburse it to the WRA. During the April 2024 review of the audit report, M1W provided additional information. While the information they provided was not conclusive, it was enough to suggest that the rightful ownership of the money and the reasons for its transfer into and then out of the WRA programs’ fund is not clear. As such, in our final audit report we do not recommend at this time that M1W reimburse the monies and we have not calculated it as an overcharge in this report.

### Other Findings and Testing

As discussed in Finding 2 regarding the problems with M1W’s time tracking systems, we found problems with direct charges of salary and benefits. However, in the case of Finding 2, we were unable to determine a fiscal impact because the problem could indicate that M1W was either over or under-charging direct salary and benefit costs to the WRA.

As discussed in the Introduction section of this audit report, we performed testing of M1W’s accounts payable processes, focused on M1W’s invoice processing and allocation. Directly charged goods and services accounted for the majority of expenditures charged to the WRA. Our analysis identified only a few minor discrepancies with the invoices and journal entries for the accounts payable processes. The discrepancies were not material and were an uncommon occurrence. It suggests that the expenditures related to goods and services were not overcharged to WRA and our analysis suggests that most of these costs are carefully allocated between the three programs based on their documentation.

## Overcharged Amount

Based on Finding 1, we calculated that during two of the four years we audited M1W overcharged WRA by more than five percent of the total dollar amount of expenses actually incurred. During those two years specifically, we estimate this amount was \$870,529.36, and for all four years, it totaled \$1,110,117.41. See Figure 5.1.

**Figure 5.1: Annual Operating Expenditures Compared to Amount Overcharged**

	FY 2018–19	FY 2019–20	FY 2020–21	FY 2021–22
<b>Total Operating Expenses for WRA Programs</b>	\$4,351,925.00	\$4,767,198.00	\$5,488,494.00	\$6,125,172.00
<b>Overpayment of Indirect Costs as Calculated in Finding 1</b>	\$64,226.76	\$175,362.29	\$343,192.18	\$527,336.19
<b>Percent Difference From Expenses Charged</b>	<b>1.5%</b>	<b>3.7%</b>	<b>6.3%</b>	<b>8.6%</b>

*Source: Operating Expenses from Annual Comprehensive Financial Report's Supplementary Information's Combining Statement and audit team calculations.*

Section 8.06 of the Agreement states that “if any audit shows that an undercharge or an overcharge has occurred, each agency will have 90 days to comply with the audit findings.” We interpret this to mean that for the entire four-year audit period, each year’s overcharges are due to the WRA from M1W.

## Recommendations

Monterey One Water should:

- 5.1 Reimburse the WRA for the \$1,110,117.41 it overcharged for indirect costs during the four audit years, as stated in Finding 1.

## Finding 6: Weak Control Environment

The audit scope included a review of the control environment for the purposes of determining if Monterey One Water (M1W) possesses appropriate financial systems and internal controls to effectively record, monitor, and allocate operational and maintenance costs and determining whether contract clauses or other modifications to the Amended and Restated Water Recycling Agreement Between Monterey Regional Water Pollution Control Agency and Monterey County Water Resources Agency (the Agreement) are necessary to provide clarification for contract compliance.

### Findings Suggest Overall Control Weaknesses

Based on the previous findings, which are listed below, we do not believe M1W possesses appropriate controls.

- **Finding 1**, regarding the indirect cost methodology, found that M1W was allocating indirect costs using a methodology that was out of compliance with the Agreement. As such, no controls were in place by M1W to ensure these costs were allocated according to the Agreement.
- **Finding 2**, regarding M1W's time tracking, found that the time tracking systems had inconsistent and inaccurate information, the systems were not regularly reviewed, and there was no internal check of comprehensive time reporting to ensure accuracy and completeness. We did observe that controls, such as supervisory approval of staff time, exist. However, the significance of the disparities we identified suggests that, overall, the existing controls are insufficient.
- **Finding 3**, regarding M1W's required monthly reporting to the Water Resources Agency (WRA), found that compliance has been inconsistent and includes a documented ten-month gap in reporting spanning from June 2022 to March 2023. This failure undermined the WRA's ability to conduct effective financial oversight of M1W's management of its funds and is a breach of the terms of the Agreement. Further, it highlights an internal control weakness within M1W as the lack of external reporting suggests there is no or limited internal monitoring by M1W of the WRA's program activities.
- **Finding 4**, regarding M1W's annual reporting of reconciliation statements to WRA, shows several internal control problems. These include the use of pooled cash accounts shared between the WRA programs, misstatements during prior fund transitions, transparency concerns, and M1W's use of shared accounting funds that limit its internal and external reporting ability. All of these factors serve to undermine the integrity and reliability of financial oversight and decision-making between M1W and the WRA.

Taken cumulatively, these findings suggest that M1W has not established sufficient internal controls and monitoring practices to ensure compliance with the Agreement. M1W's control environment related to the three WRA programs increases the risks of misallocation of funds, over or under spending by M1W, and does not allow for the WRA to monitor M1W's compliance with the Agreement.

### Recommendations

Monterey One Water and the Water Resources Agency should:

- 6.1 Implement the recommendations made in Findings 1-4.

## Finding 7: Breaches of the Agreement

The findings in this audit report suggest that Monterey One Water (M1W) has not established sufficient internal controls and monitoring practices to ensure compliance with the Wastewater Recycling Agreement. These findings indicate several breaches of the Agreement have occurred. The specific sections of the Agreement that have been breached are discussed in the following findings:

- **Finding 1**, Section 7.02 Amounts to be paid, Section 8.01 Accounting system, and Section 8.03 Direct and indirect costs.
- **Finding 2**, Section 7.04 Payment procedures.
- **Finding 3**, Section 8.02 Financial reports.
- **Finding 4**, Section 7.02 Amounts to be paid and Section 8.01 Accounting system.

## Enforcement Tools in Agreement

The Agreement between M1W and the Water Resources Agency (WRA) includes Article XIII Dispute Resolution, which includes an initial duty to meet and confer, followed by an option for mediation and arbitration. Other sections of the Agreement, as highlighted in previous findings, require regular reporting by M1W to the WRA, which would help the WRA better enforce the Agreement.

## Agreement Has Not Ensured Compliance

Despite the tools in the Agreement that were presumably intended to encourage compliance, our audit findings suggest this has not always occurred. This may be because the WRA had previously not enforced the Agreement fully or because M1W did not respond to its enforcement efforts.

We believe that the Agreement could be modified to have clauses that require reporting to both entities' Boards of Directors. This would have the added benefit of encouraging compliance by M1W and, if future problems arise, the governing bodies would be notified and involved as early as possible to direct staff to resolve problems.

## Recommendations

Monterey One Water and the Water Resources Agency should:

- 7.1 Revise the Agreement to include provisions that if problems arise between the parties and are unresolved for longer than 30 days, they be escalated and reported to both entities' Boards of Directors by email and added to the agendas for discussion at the next scheduled meetings. This might include, but not be limited to, any missed reporting deadlines by any party or ongoing disagreement between staff regarding the accuracy of financial reporting. This will encourage M1W to better adhere to their reporting requirements of the Agreement and more quickly escalate any disagreements about information accuracy to each board. Once reported, the boards will be more informed to enact a solution to resolve any dispute.

## Recommendation List

The following is a table showing all recommendation made in the audit and who they are addressed to.

	Recommendation Addressed To	Recommendation
1.1	Water Resources Agency	Seek a refund in the amount of \$1,110,117.41.
1.2	Water Resources Agency and Monterey One Water	Agree to and document the method to calculate indirect costs to be used in future years and amend the Agreement to reflect this decision. The selected method should be compliant with the requirements set for the in Section 8.03 of the Agreement, and the Agreement should include a final version of the methodology and exclude words such as “sample” and “draft”.
1.3	Water Resources Agency and Monterey One Water	Amend the Agreement to require that Monterey One Water must submit working papers that support and document the calculation of the indirect cost allocation amount charged to the Water Resources Agency. The working papers should include sufficient detail for the Water Resources Agency to verify how all calculations were made and any assumptions that were used in the calculations.
2.1	Monterey One Water	Write and implement an organization-wide policy where supervisors of staff who directly bill time to the Water Resources Agency’s projects review all work order time entered and timesheet time prior to approving timesheets for payroll. If the supervisor sees a possible discrepancy, the policy should direct them to reconcile the information in both systems before approving the timesheet. This will help improve the accuracy of data in both systems.
2.2	Monterey One Water	Once any necessary corrections have been made to work order or timesheet information, Monterey One Water should provide the Water Resources Agency with detailed monthly reports of time from both systems. This will allow the Water Resources Agency to monitor Monterey One’s progress and better assess the accuracy of time billed.
2.3	Monterey One Water	Seek to integrate its work order time entry with its timesheet entry for payroll. Such an integration will improve staff compliance while also saving staff time by entering their billable hours in a single place.
3.1	Monterey One Water	Implement a formal procedure for monthly reporting, assigning this responsibility explicitly to designated staff.
3.2	Monterey One Water	Develop a backup plan or succession strategy for critical roles and responsibilities in the Finance Department, ensuring continuity in fulfilling key requirements of the Agreement, including the monthly expenditure reports.
4.1	Monterey One Water and Water Resources Agency	<p>Amend the Agreement to reflect the following:</p> <ul style="list-style-type: none"> <li>Require that any funds related to the Water Resources Agency's programs should be audited annually and reported in a separate annual audit report on these funds due to the Water Resources Agency no later than December 31st of each year. The Water Resources Agency’s programs should be charged for these additional auditing costs.</li> <li>Require that the reconciliation statement be provided by Monterey One Water to the Water Resources Agency annually by December 31st of each year.</li> </ul>

	Recommendation Addressed To	Recommendation
		<ul style="list-style-type: none"> <li>• Require the reconciliation statement be produced by comparing the budgeted program costs against the actual amount incurred in the audited statements. This reconciliation statement shall be produced in the form of Cash Flow Statements in separate audited Financial Statement of WRA programs and will form the basis of any resulting refund.</li> <li>• Require that if budget savings are identified in the reconciliation statement, that such savings are applied by issuing a refund to the Water Resources Agency no later than January 31st.</li> <li>• Require Monterey One Water to maintain each Water Resources Agency program, including any future programs or facilities, in separate enterprise funds for each program.</li> <li>• Prohibit Monterey One Water from including encumbered funds in the annual reconciliation statements submitted to the Water Resources Agency.</li> <li>• Require that Monterey One Water cannot move monies between each individual enterprise fund established for each Water Resources Agency program.</li> <li>• Require that the Water Resources Agency hold reserve amounts in separate “Restricted Cash” accounts for each program to provide for an operational, maintenance, capital, and all other non-debt service costs based on 45 days working capital.</li> <li>• Require that Monterey One Water hold reserve amounts in separate “Restricted Cash” accounts for each program funded by the Water Resources Agency and based on all legally required debt service reserves.</li> </ul>
4.2	Monterey One Water	Continue its required monthly reporting as discussed in Finding 3 of this audit report.
4.3	Monterey One Water	Move each program of the Water Resources Agency into individual enterprise funds starting in Fiscal Year 2024–25. Prior to moving these funds, Monterey One Water should first get approval from the Water Resources Agency on the specific redistribution of any pooled cash to be redistributed to the individual funds.
5.1	Monterey One Water	Reimburse the Water Resources Agency for the \$1,110,117.41 it overcharged for indirect costs during the four audit years, as stated in Finding 1.
6.1	Monterey One Water and Water Resources Agency	Implement the recommendations made in Findings 1-4.
7.1	Monterey One Water and Water Resources Agency	Revise the Agreement to include provisions that if problems arise between the parties and are unresolved for longer than 30 days, they be escalated and reported to both entities’ Boards of Directors by email and added to the agendas for discussion at the next scheduled meetings. This might include, but not be limited to, any missed reporting deadlines by any party or ongoing disagreement between staff regarding the accuracy of financial reporting. This will encourage M1W to better adhere to their reporting requirements of the Agreement and more quickly escalate any disagreements about information accuracy to each board. Once reported, the boards will be more informed to enact a solution to resolve any dispute.

## **Attachments – Response from Monterey One Water**





# Monterey One Water

## Providing Cooperative Water Solutions

ADMINISTRATIVE OFFICE: 5 Harris Court, Bldg D, Monterey, CA 93940-5756

MAIN: (831) 372-3367 or (831) 422-1001

FAX: (831) 372-6178

WEBSITE: [www.montereyonewater.org](http://www.montereyonewater.org)

June 26, 2024

GPP Analytics Inc.  
Julian Metcalf  
2478 Tierra Dr  
Los Osos, CA 93402

RE: Water Recycling Agreement Expenses Audit Revised Draft

Dear Mr. Metcalf:

The following is a formal response from Monterey One Water (M1W) regarding the Water Recycling Agreement Expenses Audit Revised Draft dated June 7, 2024 (Audit Report) prepared by GPP Analytics (GPP) for the County of Monterey (County), the Monterey County Water Resources Agency (WRA), and the Auditor-Controller for the County of Monterey (County Auditor-Controller).

M1W takes pride in the services it provides the community, including the production and delivery of recycled water for agricultural irrigation. We value our long-term relationship with WRA in addressing water needs in the County and do not find the audit representative of our 30-year history.

The Report's conclusions are almost exclusively based on a narrow interpretation of an ambiguous agreement. While M1W confidently maintains the audit uncovered no contractual breaches, that does not mean there may be better, more transparent approaches to implement the agreement. Resources would be better spent clarifying the agreement and redefining best practices, with the understanding that M1W is a unique utility service with material differences in its operation when compared to municipalities or counties.

M1W is committed to working with WRA to ensure transparent accounting that represents 100% of the annual costs, direct and indirect, reasonably and necessarily incurred in connection with the Salinas Valley Reclamation Project (SVRP), Castroville Seawater Intrusion Project (CSIP), and Salinas River Diversion Facility (SRDF). Where appropriate, modifications will be made. Where we disagree, we are committed to working with WRA staff to find an amicable path forward.

Regards,

Paul A. Sciuto  
General Manager

## **Water Recycling Agreement Expenses Audit**

### ***Response from Monterey One Water on Revised Draft***

M1W appreciates the opportunities the Audit provides to refine or improve its business and accounting practices. We believe in continuous improvement and provide the following update on M1W's takeaways from this process:

- Time Keeping Policy – M1W's Employee Handbook details the importance of time keeping and accurate reporting of work completed. Management has developed additional time keeping procedures to better define when and how to record project-based hours, like work on SVRP, CSIP, or SRDF. Implementation of the new procedures were developed to ensure accurate inputs, invoicing, and backup related to time spent operating and maintaining the WRA systems.
- Agreement Management – M1W has initiated meetings with WRA staff to build trust and transparency. Within these working sessions, the goal will be to develop clear expectations and templates for monitoring expenditures, direct and indirect, as they relate to work performed throughout the WRA systems. These efforts will also be complementary to the succession planning M1W management has engaged in over the last two years and future staff responsibilities around agreement compliance.
- Terms of the Agreement – Once the Audit Report has been finalized and shared with County, WRA, and M1W leadership, M1W staff will await Board direction on amending the Water Recycling Agreement.
- Exemplary Service – Earlier this year, M1W added a new strategic objective focused on quality service for our community. We define community as more than just residences and businesses but also partners – local, state, federal, industry, and project partners. This objective must be and will be rooted throughout all our interactions with all stakeholders. Further staff workshops on embedding exemplary service in all we do are planned for this year.

The following narrative will focus on areas where we diverge in opinion. While we may differ in our interpretation of the Water Recycling Agreement, we are ready and willing to work with WRA staff through each Finding and Recommendation for a positive and successful future.

#### **Finding 1: Noncompliant Indirect Cost Methodology**

The Water Recycling Agreement is agreeably unclear with “structural and methodological deficiencies that introduce ambiguities.” Yet conclusions were drawn based the Auditor's interpretation of the Agreement without legal opinion or history of how the agreement was developed.

M1W maintains there is nothing in the express language of the Water Recycling Agreement that required M1W to use the methodology set forth in Exhibit J. The current methodology, modeled after Exhibit J, has been used since at least 2018 without objection from WRA.

The basis of the Audit Report is indirect costs and the methodology set forth in Exhibit J. However, the Report focuses on whether M1W legally adhered to Exhibit J rather than whether M1W charged WRA more than 100% of the annual costs, direct and indirect, incurred to operate and maintain the SVRP, CSIP, and SRDF. Legal clarity on Section 8 of the Water Recycling Agreement, especially as it relates to Exhibit J and the missing section 8.02 (b), should be obtained before Recommendations for this Finding are executed.

#### **Finding 2: Inconsistent Time Records**

Lucity is not a time recording system. It is an asset management system designed to track assets through their full lifecycles. It is a powerful tool and M1W is working to integrate it into daily workflow to track its capital assets. Until that process is complete, it should not be used to track time, and it should not be described as a time keeping system.

Also, M1W has started the process to update our ERP, Enterprise Resource Planning System. This is the software system that assists all our departments in the management and integration of core operations such as accounting,

billing, asset management, etc. As part of the new ERP system, we will pair Lucity, or another asset management system, with a new time-keeping system. Eden, our current time-keeping system, is being phased out. This new system will bring more transparency in how we track what projects our employees are working on and how much time they are spending on them. This multi-year capital project was initiated prior to the audit with estimated completion in Fiscal Year 2026-2027.

**Finding 3: Noncompliance With Required Monthly Reporting.**

M1W requested this entire Finding be removed as the ten missed reports occurred outside of the Audit period of Fiscal Years 2019 – 2022. The missed reports were the result of an extenuating circumstance, as explained to the Auditor, and the issue was remedied prior to the start of GPP’s work.

**Finding 4: Accounting Practices and Limited Transparency**

The random sampling of direct costs showed M1W’s current accounting processes are accurate and appropriate with no audit findings. Additional journal entries showed other areas such as the amortization of debt and application of interest earning, also did not result in an audit finding.

Pursuant to the Agreement, M1W maintains an accounting system that is in conformity with generally accepted accounting principles (GAAP) and allows for the segregation and tracking of all revenues and direct costs related to the SVRP, CSIP, and SRDF. WRA funds are segregated in their own enterprise account; they are not co-mingled with wastewater or other funds managed by M1W. Within the WRA enterprise fund, expenditures are further tracked by activity (SVRP, CSIP, SRDF). These are interrelated operations that impact the cost of water, not independent services like public works vs fire services.

M1W takes no issue in WRA providing new direction related to the segregation and tracking of revenues, but M1W views this Finding as misleading given WRA funds are held in an independent, restricted account and the Agreement references best practices, not specific terms.

**Finding 5: Percent Overcharged**

GPP’s Findings ultimately stem from one topic – indirect costs. But the analysis of indirect costs hinges on one assumption – the Auditor’s legal conclusions related to Exhibit J.

M1W requested in the draft review to remove this Finding as it was presented in Finding 1. It is a restatement of previous analysis, and the only recommendation is to implement a previous recommendation.

We appreciate the additional data provided in The Reclamation Fund Misstatement within Finding 4 and referenced in Finding 5. To further clarify, M1W will meet with WRA staff to explain and review the source files. This will show the error originated from a proposed change made by M1W’s auditors to address an anticipated negative cash balance for the Reclamation Fund. While this proposal got included in the 2021 ACFR, the transfer was not made in the General Ledger because there was a positive end cash balance. The 2022 ACFR corrected the mistake in the 2021 ACFR while the General Ledger remained accurate.

**Finding 6: Weak Control Environment**

This Finding is a summation of Findings 1, 2, 3, and 4 and not a stand-alone Finding. The duplication of Findings concerns M1W that this Report was commissioned with a preconceived bias. Again, it is a restatement of previous analysis, and the only recommendation is to implement a previous recommendation.

**Finding 7: Breaches of the Agreement**

M1W believes the legal conclusions reached in this Report exceed the scope of the audit. It is widely noted the Agreement is vague. To definitively interpret the ambiguous terms without proper legal analysis is unjustifiable.

The Report also raises the lack of enforcement by WRA but doesn't conclude whether WRA waived the issues, noting:

*“Despite the tools in the Agreement that were presumably intended to encourage compliance, our audit findings suggest this has not always occurred. This may be because the WRA had previously not enforced the Agreement fully or because M1W did not respond to its enforcement efforts.”*

M1W was not required to use the methodology in Exhibit J, and WRA through its inaction accepted the methodology used by M1W.

While we diverge on the assumptions and generalizations in the Report, M1W remains a committed partner in providing cooperative water solutions and will continue a close working relationship with WRA staff to ensure transparent operations.



# County of Monterey

## Item No.6

### Board Report

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

**Legistar File Number: WRAFIN 25-045**

**May 02, 2025**

**Introduced:** 4/24/2025

**Current Status:** Agenda Ready

**Version:** 1

**Matter Type:** WRA Finance Item

Fiscal Year 2024-2025 Hydroelectric Revenue Summary. (Staff Presenting; Nora Cervantes)

## **HYDROELECTRIC REVENUE**

### **Imbalance explanation:**

The imbalance energy reconciliation is a mechanism contemplated in the contract (based on Exhibit 2 of the Power Purchase Agreement between NCPA and MCWRA) that determines which party pays for imbalances between the meter and the CAISO market schedules:

If the meter is greater than the schedule, then MCWRA pays the difference at the CAISO market RTD LMP (at the resource's PNode);

If the meter is less than the CAISO market schedule, then NCPA pays the difference at the CAISO market DA LMP (at the resource's PNode).

Agency needs to be precise on its power scheduling to minimize imbalances

## Exhibit 2

### CONTRACT PRICE

Pursuant to Section 3.1(a) and 3.1(c) Buyer shall pay Seller for the Output based on the Contract Price set forth below for the applicable delivery period, subject to adjustment based on the imbalance energy settlement adjustment equations set forth below to account for the differences between Scheduled forecasted Output and metered Output during each applicable ISO settlement interval.

CONTRACT YEAR	PRICE (\$/MWh)
2014	\$ 75.00
2015	\$ 76.13
2016	\$ 77.27
2017	\$ 78.43
2018	\$ 79.60
2019	\$ 80.80
2020	\$ 82.01
2021	\$ 83.24
2022	\$ 84.49
2023	\$ 85.75
2024	\$ 87.04
2025	\$ 88.35
2026	\$ 89.67
2027	\$ 91.02
2028	\$ 92.38
2029	\$ 93.77
2030	\$ 95.17
2031	\$ 96.60
2032	\$ 98.05
2033	\$ 99.52

#### 1. Imbalance Energy Settlement Adjustment

a) If Generating Facility Output  $MWh_{\text{metered}}$  is greater than Scheduled  $MWh_{\text{physical trade}}$  then Seller shall pay to Buyer the following imbalance energy settlement adjustment for each applicable ISO settlement interval:

a.  $\max(\$0, RTLMP_{\text{node}}) * \max(0, MWh_{\text{metered}} - MWh_{\text{physical trade}})$

i. Where:

1.  $RTLMP_{node}$  is the real-time locational marginal price at the Delivery Point for the applicable ISO settlement interval;
2.  $MWh_{metered}$  is the actual metered Output from the Generating Facility for the applicable ISO settlement interval; and
3.  $MWh_{physical\ trade}$  is the Scheduled forecasted Output of the Generating Facility for the applicable ISO settlement interval provided from Seller's Scheduling Coordinator to Buyer's Scheduling Coordinator through the use of an Inter-SC Trade submitted in the day-ahead market time frame.

b) If Generating Facility Output  $MWh_{metered}$  is less than Scheduled  $MWh_{physical\ trade}$  then Buyer shall pay to Seller the following imbalance energy settlement adjustment for each applicable ISO settlement interval:

a.  $DALMP_{node/APN} * \max(0, MWh_{physical\ trade} - MWh_{metered})$

i. Where:

1.  $DALMP_{node/APN}$  is the day-ahead locational marginal price calculated by the ISO at the Delivery Point, the aggregated pricing node (e.g., NP15 EZ Gen Hub), or a combination of such price, based on the quantity and location of the  $MWh_{physical\ trade}$  for the applicable ISO settlement interval;
2.  $MWh_{metered}$  is the actual metered Output from the Generating Facility for the applicable ISO settlement interval; and
3.  $MWh_{physical\ trade}$  is the Scheduled forecasted Output of the Generating Facility for the applicable ISO settlement interval provided from Seller's Scheduling Coordinator to Buyer's Scheduling Coordinator through the use of an Inter-SC Trade submitted in the day-ahead market time frame.



# HYDROELECTRIC REVENUE

**JULY 2023 - JUNE 2024 (FY 2023-2024)**

Month	Energy Amount (\$85.75/MWh)	Energy Generated MWh	Billed Date	CR#	Received Date	Imbalance Energy Reconciliation	RECs Generated	Total Revenue
July, 2023	\$156,072.56	1,829.090	11/6/2023	188699	12/1/2023	(\$2,783.18)	1,829	\$153,289.38
August, 2023	\$238,137.70	2,777.120	12/5/2023	189822	1/2/2024	\$48.33	2,777	\$238,186.03
September, 2023	\$222,285.65	2,592.250	1/4/2024	191232	2/5/2024	(\$2,720.18)	2,592	\$219,565.47
October, 2023	\$168,837.52	1,968.950	2/9/2024	192678	3/7/2024	(\$8,333.93)	1,969	\$160,503.59
November, 2023	\$12,815.21	149.450	3/6/2024	193768	4/3/2024	(\$1,037.26)	149	\$11,777.95
December, 2023	\$5.59	0.070	4/11/2024	195414	5/7/2024	\$514.54	0	\$520.13
January, 2024	\$10,359.59	119.02	5/21/2024	197144	6/18/2024	(\$810.57)	119	\$9,549.02
February, 2024	\$10,398.75	119.47	6/4/2024	11852	7/2/2024	(\$749.38)	119	\$9,649.37
March, 2024	\$163,528.10	1,878.77	7/5/2024	12219	8/2/2024	(\$2,012.78)	1,879	\$161,515.32
April, 2024	\$186,707.40	2,145.08	8/7/2024	12458	8/29/2024	(\$2,821.96)	2,145	\$183,885.44
May, 2024	\$250,568.31	2,878.77	9/4/2024	12562	10/1/2024	(\$1,192.64)	2,879	\$249,375.67
June, 2024	\$226,683.67	2,604.36	10/9/2024	12618	11/5/2024	(\$393.49)	2,604	\$226,290.18
	<b>\$1,646,400.05</b>	<b>19,062.399</b>				<b>(\$22,292.50)</b>	<b>19,062</b>	<b>\$1,624,107.55</b>

\* Energy rate change from \$85.75 per MWh to \$87.04 per MWh (1.5% increase)

REC = Renewable Energy Certificates

MWh = Mega Watt Hour of electric energy

# HYDROELECTRIC REVENUE

JULY 2024 - JUNE 2025 (FY 2024-2025)

Month	Energy Amount (\$85.75/MWh)	Energy Generated MWh	Billed Date	CR#	Received Date	Imbalance Energy Reconciliation	RECs Generated	Total Revenue
July, 2024	\$244,706.60	2,811.430	11/8/2024	203542	12/5/2024	(\$2,048.49)	2,811	\$242,658.11
August, 2024	\$240,401.06	2,761.960	12/10/2024	204655	1/7/2025	(\$2,080.04)	2,762	\$238,321.02
September, 2024	\$201,626.02	2,316.475	1/13/2025	205891	2/6/2025	(\$250.79)	2,316	\$201,375.23
October, 2024	\$19,534.64	224.433	2/7/2025	207013	3/6/2025	(\$697.73)	224	\$18,836.91
November, 2024	\$15,113.43	173.640	3/17/2025	208510	4/10/2025	(\$11.50)	174	\$15,101.93
December, 2024	\$15,756.01	181.020	4/4/2025			(\$101.75)	181	\$15,654.26
January, 2025							0	\$0.00
February, 2025							0	\$0.00
March, 2025							0	\$0.00
April, 2025							0	\$0.00
May, 2025							0	\$0.00
June, 2025							0	\$0.00
	<b>\$737,137.76</b>	<b>8,468.958</b>				<b>(\$5,190.30)</b>	<b>8,469</b>	<b>\$731,947.46</b>

\* Energy rate change from \$85.75 per MWh to \$87.04 per MWh (1.5% increase)

REC = Renewable Energy Certificates

MWh = Mega Watt Hour of electric energy



# County of Monterey

## Item No.7

### Board Report

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

**Legistar File Number: WRAFIN 25-046**

**May 02, 2025**

**Introduced:** 4/24/2025

**Current Status:** Agenda Ready

**Version:** 1

**Matter Type:** WRA Finance Item

Set next meeting date and discuss future agenda items.