

Personnel:

The Agency has been working on 3 positions: 1) recruitment for the Maintenance Manager successfully resulted in the hiring of Rob McKay. Rob comes to us from the County of Monterey Public Works department and with great experience in managing maintenance projects. Rob began his work with the Agency on June 2nd and has jumped in with both feet, meeting our south and north maintenance crews and familiarizing himself with the wide array of facilities and activities for which the Agency is responsible; 2) recruitment for a Water Resources Engineer closed on June 9th and applications are currently under review; and 3) the Agency received 20 applications for an internship opportunity this summer in the hydrology section and there were many strong candidates; however, due to the uncertainty about implementation of the Groundwater Monitoring Program, the Agency is holding off on a final decision.

Groundwater Monitoring Program Regulatory Fees:

On June 3rd, Agency staff, with support from the Salinas Valley Basin Groundwater Sustainability Agency, presented the proposed FY2026 GMP Regulatory Fees for consideration by the Agency's Board of Supervisors. After significant discussion, the Supervisors elected to carry the matter forward until July 8th to allow staff time to address questions raised during the meeting. Key questions included: can "de minimis" well owners be excluded from the monitoring program? Can the Agency charge more to non-de minimis well owners so as to subsidize de minimis well owners? Could an alternative cost allocation method be developed that shifts costs away from de minimis users? Can an alternative funding source be used to subsidize de minimis users? The key concern of the Supervisors was the potential financial impact to rural, low-income residents dependent upon domestic or small water system wells. Staff, along with the SVBGSA, are working to address these questions and develop alternatives for consideration at the July 8th meeting.

Dam Safety & Operations Future Funding Strategy:

Over the past couple of years, the Agency has been doing a lot of work to set the stage for further discussion about funding strategies for future dam safety projects and operations. In recent months, the Agency has presented an updated Historical Benefits Analysis, which includes hydrologic and economic analyses, and a DRAFT Engineer's Report for the Interlake Tunnel Project that contemplates three potential cost allocation methods. In addition, the Agency has developed a Long-Range Financial Plan model to help illustrate the potential effects of future funding decisions over time. Last, but not least, in April the United State Geological Survey made publicly available the entirety of the Salinas Valley Integrated Hydrologic Model (SVIHM) and Salinas Valley Operational Model (SVOM), including the model files, supporting data, and associated Scientific Investigation Reports. These models, developed in concert with the Agency and Salinas Valley Basin GSA, have been used to support the Interlake Tunnel Project development, the HBA update, and have also been used by the County of Monterey and SVBGSA as part of their planning efforts. With the availability of this extensive new information and tools, the Agency is planning to hold a stakeholder workshop on July 9th to review current financial status, near-term grant funded project plans, the HBA update and DRAFT ITP Engineer's Report, and potential funding strategies to support future needs. The aim of the workshop is to solicit feedback from stakeholders regarding this new information and tools and to initiate a discussion to help identify a path forward to modernize the Agency's future cost allocation and recovery methods.

Nacimientto Emergency Action Plan Functional Exercise:

On Thursday May 22nd, the Agency and County of Monterey Department of Emergency Management performed the 2025 Nacimientto Functional Exercise. This event was designed to evaluate the emergency communication and response capabilities of local, state, and federal agencies responsible for public safety, in response to a simulated catastrophic event at Nacimientto Dam.

There were over 113 exercise participants, 89 players, 24 support staff (controllers, evaluators, administrative, runners, etc.), and 4 observers. Multiple outside agencies participated in the exercise. Some of the outside agencies participating included CalFire, the National Weather Service, the California Highway Patrol, the County of San Luis Obispo Office of Emergency Services, the U.S. Army – Fort Hunter Liggett, Cal Trans, and the American Red Cross. Staff were also present from the Department of Water Resources Division of Safety of Dams and the Federal Energy Regulatory Commission. DSO and FERC were impressed by the level of engagement from County staff and outside agencies during the exercise.

An Exercise Report is being drafted for submittal to FERC within 60 days of completion of the exercise. Player surveys, post exercise ‘hot wash’ notes, and evaluator comments will be used to write the report and identify opportunities for improvement to the Nacimientto Emergency Action Plan and for future staff training, EOC operations, and/or emergency response.

Monterey One Water Reconciliation Process:

The Agency and M1W have completed revisions of the financial sections of the 2015 Amended and Restated Water Recycling Agreement. Formal review and approval of the revised draft was delayed to allow for resolution of the final outstanding issues and legal review. A comparison of the May 19th working version and the current final draft is attached. The current schedule for consideration follows:

- June 30th M1W Board of Directors
- July 8th WRA Board of Supervisors

Regulatory/Legislative Activities:

The Agency, in cooperation with the County’s advocacy team, remains engaged with ACWA and the Family Farm Alliance on various state and federal legislative and regulatory issues. Following are some key highlights.

In consultation with the Chair of the Personnel & Administration Committee, and Chair of the Board of Directors, the Agency joined two coalitions during the last month. The first was a Family Farm Alliance led group of 41 western agricultural and irrigation entities, including the California Farm Bureau and the Western Growers Association, that submitted comments – attached – regarding the U.S. Fish and Wildlife Service’s and National Oceanic and Atmospheric Administration’s (“the Services”) proposed rule rescinding the regulatory definition of “harm” in current Endangered Species Act (ESA) Code of Federal Regulations. In short, the letter recommends that when administering sections 9, 10 and 7(b)(4) the ESA, the Services be required to clearly identify actual harm to species where they are found and make clear that “harm” requires a showing of objectively

discernible, negative physical impact to one or more identified members of a species. The letter also notes the proposed rule would bring improved consistency and certainty to ESA consultations, and better application of scarce resources, including reduced litigation, that will more effectively protect and restore species while also protecting people.

The second was an ACWA led coalition opposing AB 1146 (Papan). AB 1146 proposed to give the State Water Resources Control Board new, unprecedented, regulatory enforcement authority over dam operators to enforce, absent a hearing or due process, a new, vague, regulatory requirement for dam operations. Among the concerns expressed was the need better define the new regulatory requirement, the need to establish a neutral arbitrator in enforcement actions, and the need to establish clear enforcement standards to provide water managers reasonable certainty about their decision making. Since the call to action, the coalition, including the California Chamber of Commerce, has worked with the author to strike or amend the concerning language.

Also during the last month, we learned that Senator Padilla has selected the Nacimiento and San Antonio Dams and Reservoirs Safety Project as one of his projects to advance to the Senate Appropriations Committee for further consideration under the FY26 the Transportation, Housing and Urban Development, and Related Agencies (THUD) Appropriations Bill at the Agency's full requested amount of \$6 million. While the process is far from over, this is a critical first step. Attached is a letter to Senator Padilla expressing the Agency's appreciation for his selection.

On the regulatory front, in May, the Supreme Court of the United States issued a unanimous ruling narrowing the scope of the National Environmental Policy Act (NEPA) reviews for major infrastructure projects. The Court held an agency does not need to consider every possible environmental consequence of a proposed federal action, and that agencies only need to analyze environmental impacts for which their decision would impact. Here, the Court provided some agency deference (distinguishing this from the overturn of the Chevron doctrine) stating that "courts should defer to agencies' decisions about where to draw the line on issues including indirect environmental effects."

Lastly, also in May, the Trump administration released a supplement to the initial "skinny budget" providing more detail about the administration's funding requests and priorities. As expected, we see potential improvements in the regulatory environmental and likely flagging financial support in many areas of interest to the Agency.

On the regulatory side, examples of potential improvements include provisions that allow a project sponsor subject to NEPA to pay a fee equal to 125 percent of the anticipated costs of expected agency activities to prepare an environmental impact statement (EIS) or environmental assessment (EA). If the project sponsor pays the fee, they will receive a federal decision on their EIS in 1 year or their EA in six months and, importantly, the EIS or EA would not be subject to judicial review under NEPA. There is also a proposal to restructure and transfer the National Marine Fisheries Service responsibilities for endangered species and marine mammal protection to the Department Of Interior's Fish and Wildlife Service. This transfer of authorities in the President's budget is similar to H.R. 1894 (The FISH Act), legislation that is supported by ACWA and many other western water and agricultural entities.

On the financial side, the President's budget proposed to reduce non-military spending by approximately 23 percent. These cuts are spread across different federal agencies at various levels. Of concern to the Agency are proposals to:

- U.S. Bureau of Reclamation – proposed elimination of the WaterSmart programs, Water Infrastructure Improvements for the Nation (WIIN) Act Storage Funding, and the Water Conservation Field Services Program.
- Environmental Protection Agency – proposed cuts to the Clean Water and Drinking Water State Revolving Loan Funds (SRF) and significant funding reductions to the WIFIA loan program, which can fund a variety of water and wastewater projects.
- Army Corps of Engineers – proposed elimination of the recently developed Army Corps WIFIA equivalent, which is aimed at providing WIFIA like loans for dam projects.
- Department of Agriculture – A proposed reduction to the Natural Resource Conservation Service (NRCS) for conservation measures including farm irrigation, land drainage, water management, and pollutant control programs, like PL 566, which the Agency has been exploring as a potential funding mechanism for the Interlake Tunnel Project.