

Monterey County

*Board Chambers
168 W. Alisal St.
Salinas, California*



Meeting Agenda

Tuesday, February 22, 2022

12:00 PM

**IMPORTANT COVID-19 NOTICE ON PAGE 2-4
AVISO IMPORTANTE SOBRE COVID-19 EN LA PAGINA 2-4
Water Resources Agency Board of Directors**

*John Baillie, Chair
Mike LeBarre, Vice Chair
Mark Gonzalez
Deidre Sullivan
Ken Ekelund
Mike Scattini
Jason Smith
Matt Simis
Marvin Borzini*

Important Notice Regarding COVID-19

In order to minimize the spread of the COVID 19 virus, please do the following:

1. While the Board chambers remain open, you are strongly encouraged to observe the live stream of the Board of Directors meetings at http://monterey.granicus.com/ViewPublisher.php?view_id=19 or <http://www.mgtvonline.com/>

If you attend the Board of Directors meeting in person, you will be required to maintain appropriate social distancing, i.e., maintain a 6-foot distance between yourself and other individuals.

2. If you choose not to attend the Board of Directors meeting but wish to make a comment on a specific agenda item, please submit your comment via email by 5:00 p.m. on the Friday before the meeting.. Please submit your comment to the Secretary of the Board at WRAPubliccomment@co.monterey.ca.us In an effort to assist the Secretary in identifying the agenda item relating to your public comment please indicate in the Subject Line, the meeting body (i.e. Board of Directors Agenda) and item number (i.e. Item No. 10). Your comment will be placed into the record at the Board meeting.

**3. For ZOOM participation please join by computer audio at:
<https://montereycty.zoom.us/j/99769079850>**

OR to participate by phone call any of these numbers below:

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Enter this Meeting ID number: 997 6907 9850 when prompted. Please note there is no Participant Code, you will just press # 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.

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Call to Order at 12:00 P.M.

Roll Call

Public Comments on Closed Session Items

1. Closed Session under Government Code section 54950, relating to the following item:

- a. Pursuant to Government Code section 54956.9(d)(2), the Board of Directors will confer with legal counsel regarding one matter of potential exposure to litigation.

Note: Continuance of Closed Session to be held at the conclusion of the Board's Regular Agenda, or at any other time during the course of the meeting announced by the Chairperson of the Board. The public may comment on Closed Session items prior to the Board's recess to Closed Session.

Recess to Closed Session

Reconvene Meeting at 1:00 P.M.

Pledge of Allegiance

Public Comment

Consent Calendar

2. Approve the Action Minutes of January 18, 2022

Attachments: [Draft Minutes January 18, 2022](#)

3. Find, pursuant to AB 361 and in order for the Monterey County Water Resources Agency Board of Directors and its standing subcommittees (Personnel & Administration, Finance, and Planning) to continue to meet remotely, that the COVID-19 pandemic state of emergency declared by Governor Newsom is still in effect; the Board and subcommittees have reconsidered the circumstances of the state of emergency; and the Monterey County Health Officer continues to recommend social distancing measures for meetings of the legislative bodies.

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

4. Receive the Monterey County Water Resources Agency (MCWRA) FY 2021-2022 Second Quarter Financial Status Report through December 31, 2021.

Attachments: [Board Report](#)
[FY22 2nd Quarter Financial Summary](#)
[Board Order](#)

5. Recommend that the Monterey County Water Resources Agency Board of Supervisors adopt a resolution authorizing the General Manager to enter into a grant agreement with the National Fish and Wildlife Foundation to fund the Salinas River Lagoon Community Engagement and Planning Project.

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

Scheduled Items

6. Consider receiving an update from Matt Turrentine, a Director on the Board of Shandon-San Juan Water District/Shandon-San Juan Groundwater Sustainability Agency, regarding water right applications filed with the California State Water Resources Control Board to appropriate water from the Nacimiento and Salinas Rivers; and provide direction to staff as appropriate.

Attachments: [Board Report](#)
[Letters of Opposition](#)
[Board Order](#)

7. Consider recommending that the Monterey County Water Resources Agency Board of Supervisors:
- a. Authorize the Monterey County Water Resources Agency General Manager to begin negotiations related to use of New Source Waters for the Castroville Seawater Intrusion Project pursuant to Section 16.16 of the Amended and Restated Water Recycling Agreement with Monterey One Water; and
 - b. Authorize the General Manager to negotiate a new agreement with the City of Salinas and Monterey One Water for use of Industrial Wastewater Utilizing Pond 3 in response to current drought conditions.

Attachments: [Board Report](#)
[ARWRA and Amendments](#)
[RWQCB Condition Precedent 3](#)
[Board Order](#)

8. Consider receiving an update on Salinas River Lagoon Sandbar Management and the Low-Effect Habitat Conservation Plan.

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

Key Information and Calendar of Events

9. February, March and April 2022 Calendars

Attachments: [February 2022](#)
[March 2022](#)
[April 2022](#)

General Manager's Report

- 10.
- COVID-19 Update
 - Personnel Update
 - Prop. 1 Grant Update
 - Pajaro Update
 - Salinas River Update
 - Other

Committee Reports

Information Items

11. Information Items:

1. Reservoir Storage and Release Update
2. Well Permit Applications Update
3. Quarterly Conditions Report

Attachments: [Reservoir Storage & Release Update Report](#)

[Well Permit Applications Update](#)

[Quarterly Conditions Update](#)

Correspondence

- 12.
1. Letter dated January 31, 2022, from the Department of the Interior, Bureau of Reclamation to Shaunna Murray, Monterey County Water Resources Agency
Re: Notice of Funding Opportunity No. R22AS00020 - WaterSMART Drought Response Program: Drought Resiliency Projects for Fiscal Year 2022- DRP-008
Application Review Status, Your Application Titled, "Castroville Seawater Intrusion Project (CSIP) Distribution System Optimization."
 2. Letter dated February 11, 2022, from the State Water Board to Santa Cruz County Flood Control and Water Conservation District, Zone 7
Re: Enforcement program: Santa Cruz County Flood Control and Water Conservation District, Pajaro River Roughness Reduction Project, Santa Cruz County - Notice of Violation for Failing to Submit a Report of Waste Discharge
 3. Letter from Santa Cruz County Flood Control and Water Conservation District, Zone 7 to Kim Sanders, State Water Board
Re: Santa Cruz County Flood Control and Water Conservation District, Pajaro River Roughness Reduction Project, Santa Cruz County - Requirement to obtain regulatory coverage for discharges to waters of the State in the Pajaro River

Attachments: [Dept. of the Interior Letter dated January 31, 2022](#)
[Notice of Violation - Pajaro River Rough Reduction](#)
[Letter to Central Coast Water Board December 2021](#)

Board of Directors Comments

Adjournment



Monterey County

Item No.1

Board Report

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

Legistar File Number: WRAG 22-026

February 22, 2022

Introduced: 2/10/2022

Current Status: Draft

Version: 1

Matter Type: WR General Agenda

Closed Session under Government Code section 54950, relating to the following item:

a. Pursuant to Government Code section 54956.9(d)(2), the Board of Directors will confer with legal counsel regarding one matter of potential exposure to litigation.

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Monterey County

Item No.2

Board Report

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

Legistar File Number: WRAG 22-019

February 22, 2022

Introduced: 2/10/2022

Current Status: Draft

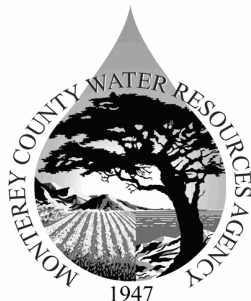
Version: 1

Matter Type: WR General Agenda

Approve the Action Minutes of January 18, 2022

Monterey County

THE BOARD OF DIRECTORS MEETING WILL BE HELD VIA ZOOM ONLY. THERE WILL BE NO OPPORTUNITY TO ATTEND THE MEETING IN PERSON. THE INSTRUCTIONS ON HOW TO JOIN THE MEETING HAVE BEEN EDITED TO REFLECT THIS CHANGE.



Meeting Minutes

Tuesday, January 18, 2022

1:00 PM

SPECIAL MEETING - REVISED AGENDA

**IMPORTANT COVID-19 NOTICE ON PAGE 2-4
AVISO IMPORTANTE SOBRE COVID-19 EN LA PAGINA 2-4**

Water Resources Agency Board of Directors

*John Baillie, Chair
Mike LeBarre, Vice Chair
Mark Gonzalez
Deidre Sullivan
Ken Ekelund
Mike Scattini
Jason Smith
Matt Simis
Marvin Borzini*

Important Notice Regarding COVID-19

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Aviso Importante Sobre COVID-19

LA REUNIÓN DE LA JUNTA DIRECTIVA SE LLEVARÁ A CABO SOLO A TRAVÉS DE ZOOM. NO HABRÁ OPORTUNIDAD DE ASISTIR A LA REUNIÓN EN PERSONA.

LAS INSTRUCCIONES SOBRE CÓMO UNIRSE A LA REUNIÓN SE HAN EDITADO PARA REFLEJAR ESTE CAMBIO.

Basado en la guía del Departamento de Salud del Estado de California (California Department of Public Health) y de la Oficina del Gobernador, para minimizar la propagación del virus COVID 19, por favor haga lo siguiente:

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Call to Order at 1:00 P.M.

Roll Call

**Present: John Baillie, Mike LeBarre, Mark Gonzalez, Deidre Sullivan, Ken Ekelund, Mike Scattini, Jason Smith, Matthew Simis, Marvin Borzini
Absent: None**

Pledge of Allegiance

Election of Officers

1. 1. Selection of Chair and Vice-Chair for a two-year term
2. Committee Assignments

Upon Motion by Jason Smith and Second by Mark Gonzalez the Board elected John Baillie as Chair and Mike LeBarre as Vice-Chair for a two-year term. The Committee assignments will be determined at each of the upcoming Committee meetings.

Ayes: John Baillie, Mike LeBarre, Mark Gonzalez, Deidre Sullivan, Ken Ekelund, MikeScattini, Jason Smith, Matthew SImis and Marvin Borzini

Noes: None

Absent: None

Public Comment

None

Consent Calendar

Upon Motion by Mark Gonzalez and Second by Deidre Sullivan the Board approved the Consent Calendar.

Ayes: John Baillie, Mike LeBarre, Mark Gonzalez, Deidre Sullivan, Ken Ekelund, MikeScattini, Jason Smith, Matthew SImis and Marvin Borzini

Noes: None

Absent: None

2. Approve the Action Minutes of December 20, 2021

Attachments: [Draft BOD Minutes December 20, 2021](#)

3. Approve the 2022 Board of Directors and Committee Meetings Schedule.

Attachments: [2022 BOD and Committee Meetings Schedule](#)

4. Find, pursuant to AB 361 and in order for the Monterey County Water Resources Agency Board of Directors and its standing subcommittees (Personnel & Administration, Finance, and Planning) to continue to meet remotely, that the COVID-19 pandemic state of emergency declared by Governor Newsom is still in effect; the Board and subcommittees have reconsidered the circumstances of the state of emergency; and the Monterey County Health Officer continues to recommend social distancing measures for meetings of the legislative bodies.

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

5. Approve Amendment No. 4 to the Agreement for Services with JM Electric, Inc. by extending the contract term to June 30, 2023 and increasing the dollar amount by \$50,000 for a new contract total of \$150,000 to continue providing electrical services for the Nacimiento Hydroelectric Plant; and authorize the General Manager to execute the Amendment.

Attachments: [Board Report](#)
 [Amendment No. 4 - JM Electric Inc.](#)
 [Amendments 1-3 - JM Electric Inc.](#)
 [Agreement - JM Electric Inc.](#)
 [Board Order](#)

Scheduled Items

6. Consider recommending that the Monterey County Water Resources Agency Board of Supervisors:
- a. Adopt a resolution authorizing the General Manager to enter into a grant agreement with the California Department of Fish and Wildlife to receive a 2019 Section 6 Non-Traditional Habitat Conservation Plan Grant of \$1 million dollars to financially support the Agency's development of the Salinas River Habitat Conservation Plan; and
 - b. Adopt a resolution authorizing the General Manager to enter into a grant agreement with the California Department of Fish and Wildlife to receive a 2021 Section 6 Non-Traditional Habitat Conservation Plan Grant of \$1 million dollars to financially support the Agency's development of the Salinas River Habitat Conservation Plan.

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

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

- a. Adopt a resolution authorizing the General Manager to enter into a grant agreement with the California Department of Fish and Wildlife to receive a 2019 Section 6 Non-Traditional Habitat Conservation Plan Grant of \$1 million dollars to financially support the Agency's development of the Salinas River Habitat Conservation Plan; and**
- b. Adopt a resolution authorizing the General Manager to enter into a grant agreement with the California Department of Fish and Wildlife to receive a 2021 Section 6 Non-Traditional Habitat Conservation Plan Grant of \$1 million dollars to financially support the Agency's development of the Salinas River Habitat Conservation Plan.**

Ayes: John Baillie, Mike LeBarre, Mark Gonzalez, Deidre Sullivan, Ken Ekelund, Mike Scattini, Jason Smith, Matthew Simis and Marvin Borzini

Noes: None

Absent: None

Public Comment: Margie Kay

7. Consider receiving the three-year financial trend analysis of the Monterey County Water Resources

Agency.

Attachments: [Board Report](#)
 [WRA Three-year Fund Balance Summary](#)
 [WRA Three-year Fund Balance Use Summary](#)
 [Board Order](#)
 [Copy of Presentation - added after meeting](#)

Upon Motion by Matthew Simis and Second by Deidre Sullivan the Board received the three-year financial trend analysis of the Monterey County Water Resources Agency.

Ayes: John Baillie, Mike LeBarre, Mark Gonzalez, Deidre Sullivan, Ken Ekelund, Mike Scattini, Jason Smith, Matthew Simis and Marvin Borzini

Noes: None

Absent: None

Public Comment: Margie Kay, George Fontes

Key Information and Calendar of Events

8. January, February and March 2022 Calendars

Attachments: [January 2022](#)
 [February 2022](#)
 [March 2022](#)

General Manager's Report

- 9.**
- COVID-19 Update
 - Personnel Update
 - Prop. 1 Grant Update
 - Pajaro Update
 - Salinas River Update
 - Other

Committee Reports

Information Items

10. Information Items:

1. Reservoir Release Update
2. Well Permit Applications Update

Attachments: [Reservoir Release Update Report](#)
[Well Permit Applications Update](#)

Correspondence

11. Letter dated December 22, 2021 from Elizabeth Krafft, Deputy General Manager to: California Homeless Coordinating and Financing Council Encampment Resolution Funding Program

Re: The City of Salinas' Encampment Resolution Funding (ERF) Grant Proposal for the Homeless Coordinating and Financing Council (HCFC) Program Request for Applications

Attachments: [MCWRA letter of commitment HCFC](#)

Board of Directors Comments

Adjournment

The meeting adjourned at 3:05 p.m.

Addenda/Supplemental

Addenda/Revision:

Monterey County Water Resources Agency Board of Directors Addenda/Revision for Tuesday, January 18, 2022

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Monterey County

Item No.3

Board Report

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

Legistar File Number: WRAG 22-020

February 22, 2022

Introduced: 2/10/2022

Current Status: Agenda Ready

Version: 1

Matter Type: WR General Agenda

Find, pursuant to AB 361 and in order for the Monterey County Water Resources Agency Board of Directors and its standing subcommittees (Personnel & Administration, Finance, and Planning) to continue to meet remotely, that the COVID-19 pandemic state of emergency declared by Governor Newsom is still in effect; the Board and subcommittees have reconsidered the circumstances of the state of emergency; and the Monterey County Health Officer continues to recommend social distancing measures for meetings of the legislative bodies.

RECOMMENDATION:

It is recommended that the Monterey County Water Resources Agency Board of Directors and its standing subcommittees (Personnel & Administration, Finance, and Planning) in order to continue to meet remotely, find the following: that the COVID-19 pandemic state of emergency declared by Governor Newsom is still in effect; the Board and subcommittees have reconsidered the circumstances of the state of emergency; and the Monterey County Health Officer continues to recommend social distancing measures for meetings of the legislative bodies.

SUMMARY/DISCUSSION:

On September 16, 2021, Governor Newsom signed AB 361. This legislation amends the Brown Act to allow meeting bodies subject to the Brown Act to meet via teleconference during a proclaimed state of emergency in accordance with teleconference procedures established by AB 361 rather than under the Brown Act's more narrow standard rules for participation in a meeting by teleconference. AB 361 provides that if a state or local health official recommends social distancing, a legislative body may meet remotely after September 30, 2021, provided that within 30 days of the first meeting after September 30, and every 30 days thereafter, the legislative body finds: 1) the Governor's proclaimed state of emergency is still in effect; 2) the legislative body has reconsidered the circumstances of the state of emergency; and 3) either the Monterey County Health Officer continues to recommend social distancing measures for meetings of legislative bodies or the state of emergency continues to directly impact the ability of the members to meet in person.

The Monterey County Health Officer has recommended social distancing measures for meetings of legislative bodies, so the Board of Directors and its subcommittees, including Personnel & Administration, Finance, and Planning ("Subcommittees"), were able to meet remotely in October without making findings. However, in order to continue to meet remotely going forward, the Board of Directors and Subcommittees must make the findings outlined above.

Accordingly, staff recommends making the appropriate findings. This action will be required every 30 days in order to keep meeting remotely; a special meeting may be necessary for that purpose.

The Basin Management Advisory Committee and Reservoir Operations Advisory Committee are not included here because they have members who do not sit on the Board of Directors. These findings will have to be considered separately at the meetings of those legislative bodies.

OTHER AGENCY INVOLVEMENT:

The General Manager concurs in the recommendation.

FINANCING:

The only financial impact is the continuing cost of teleconferencing.

Prepared by: Jessell Fenley, Administrative Services Assistant, (831) 755-4860

Approved by: Brent Buche, General Manager, (831) 755-4860



Monterey County

Item No.

Board Report

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

Legistar File Number: WRAG 22-020

February 22, 2022

Introduced: 2/10/2022

Current Status: Agenda Ready

Version: 1

Matter Type: WR General Agenda

Find, pursuant to AB 361 and in order for the Monterey County Water Resources Agency Board of Directors and its standing subcommittees (Personnel & Administration, Finance, and Planning) to continue to meet remotely, that the COVID-19 pandemic state of emergency declared by Governor Newsom is still in effect; the Board and subcommittees have reconsidered the circumstances of the state of emergency; and the Monterey County Health Officer continues to recommend social distancing measures for meetings of the legislative bodies.

RECOMMENDATION:

It is recommended that the Monterey County Water Resources Agency Board of Directors and its standing subcommittees (Personnel & Administration, Finance, and Planning) in order to continue to meet remotely, find the following: that the COVID-19 pandemic state of emergency declared by Governor Newsom is still in effect; the Board and subcommittees have reconsidered the circumstances of the state of emergency; and the Monterey County Health Officer continues to recommend social distancing measures for meetings of the legislative bodies.

SUMMARY/DISCUSSION:

On September 16, 2021, Governor Newsom signed AB 361. This legislation amends the Brown Act to allow meeting bodies subject to the Brown Act to meet via teleconference during a proclaimed state of emergency in accordance with teleconference procedures established by AB 361 rather than under the Brown Act's more narrow standard rules for participation in a meeting by teleconference. AB 361 provides that if a state or local health official recommends social distancing, a legislative body may meet remotely after September 30, 2021, provided that within 30 days of the first meeting after September 30, and every 30 days thereafter, the legislative body finds: 1) the Governor's proclaimed state of emergency is still in effect; 2) the legislative body has reconsidered the circumstances of the state of emergency; and 3) either the Monterey County Health Officer continues to recommend social distancing measures for meetings of legislative bodies or the state of emergency continues to directly impact the ability of the members to meet in person.

The Monterey County Health Officer has recommended social distancing measures for meetings of legislative bodies, so the Board of Directors and its subcommittees, including Personnel & Administration, Finance, and Planning ("Subcommittees"), were able to meet remotely in October without making findings. However, in order to continue to meet remotely going forward, the Board of Directors and Subcommittees must make the findings outlined above.

Accordingly, staff recommends making the appropriate findings. This action will be required every 30 days in order to keep meeting remotely; a special meeting may be necessary for that purpose.

The Basin Management Advisory Committee and Reservoir Operations Advisory Committee are not included here because they have members who do not sit on the Board of Directors. These findings will have to be considered separately at the meetings of those legislative bodies.

OTHER AGENCY INVOLVEMENT:

The General Manager concurs in the recommendation.

FINANCING:

The only financial impact is the continuing cost of teleconferencing.

Prepared by: Jessell Fenley, Administrative Services Assistant, (831) 755-4860

Approved by: Brent Buche, General Manager, (831) 755-4860



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

BOARD ORDER No. ____

CONSIDER FINDING, PURSUANT TO AB 361 AND IN ORDER)
FOR THE MONTEREY COUNTY WATER RESOURCES AGENCY)
BOARD OF DIRECTORS AND ITS STANDING SUBCOMMITTEES)
(PERSONNEL & ADMINISTRATION, FINANCE, AND PLANNING))
TO CONTINUE TO MEET REMOTELY, THAT THE COVID-19)
PANDEMIC STATE OF EMERGENCY DECLARED BY GOVERNOR)
NEWSOM IS STILL IN EFFECT; THE BOARD AND SUBCOMMITTEES)
HAVE RECONSIDERED THE CIRCUMSTANCES OF THE STATE OF)
EMERGENCY; AND THE MONTEREY COUNTY HEALTH OFFICER)
CONTINUES TO RECOMMEND SOCIAL DISTANCING MEASURES)
FOR MEETINGS OF THE LEGISLATIVE BODIES)

Upon motion of Director ____, seconded by Director ____, and carried by those members present, the Monterey County Water Resources Agency Board of Directors hereby:

Finds, pursuant to AB 361 and in order for the Monterey County Water Resources Agency Board of Directors and its standing subcommittees (Personnel & Administration, Finance, and Planning) to continue to meet remotely, that the COVID-19 pandemic state of emergency declared by Governor Newsom is still in effect; the Board and subcommittees have reconsidered the circumstances of the state of emergency; and the Monterey County Health Officer continues to recommend social distancing measures for meetings of the legislative bodies.

PASSED AND ADOPTED on this **22nd** day of **February 2022**, by the following vote, to-wit:

AYES:

NOES:

ABSENT:

BY: John Baillie, Chair

ATTEST: Brent Buche

Board of Directors

General Manager



Monterey County

Item No.4

Board Report

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

Legistar File Number: WRAG 22-024

February 22, 2022

Introduced: 2/10/2022

Current Status: Agenda Ready

Version: 1

Matter Type: WR General Agenda

Receive the Monterey County Water Resources Agency (MCWRA) FY 2021-2022 Second Quarter Financial Status Report through December 31, 2021.

RECOMMENDATION:

It is recommended that the Monterey County Water Resources Agency Board of Directors:

Receive the Monterey County Water Resources Agency (MCWRA) FY 2021-2022 Second Quarter Financial Status Report through December 31, 2021.

SUMMARY/DISCUSSION:

The Monterey County Water Resources Agency's FY 2021-2022 (FY22) approved budget totals \$38.47 million expenditures and \$32.40 million in revenue. On November 22, 2021, Monterey County Water Resources Agency's Board of Supervisor approved to amend the Monterey County Water Resources Agency's Pajaro River Fund 112-9300-WRA002-8484 FY 2021-22 adopted budget to increase appropriations and revenues in the amount of \$658,500, to budget totals \$39.12 million expenditures and \$33.06 million revenue.

As of the second quarter of FY22 ending December 31, 2021, the total revenue received is \$11,483,146, 45.8% of FY22 Budgeted Revenue. It includes Special Assessments of \$9,914,534, Ad Valorem Taxes of \$1,641,953, water delivery and service fees of \$1,005,141, grant payments of \$373,604, hydro-electric revenue of \$317,41, grazing lease and rent revenue of \$313,809 and other permits and fee revenue of \$64,404. The Agency received \$1,509,201 fund transfer from General Fund as a local match of Prop 1 Well Destruction grant.

Comparing to the total revenue of \$200,108 in Quarter 1 of FY22, it is an increase of 14,939,949. Revenues received in Quarter 2 includes Ad Valorem of \$1,636,766 and Special Assessments of 9,850,319. The total revenue received in FY22 was increased by \$368,887, compared to the total revenue received during the same period in FY21.

On the expenditure side, actual expenditure thru December 31, 2021 is \$15.05 million, which includes \$3.48 million encumbrance and \$11.57 million cash expenditures. It is 38.5% of the adopted appropriations. The amount is an increase of \$937,348, comparing to those of FY21. Thru the 2nd Quarter FY22, salaries and benefit, Monterey One Water Contract payment and SVWP bond payment was 25.65%, 29.76% and 11.07% of Agency's total expenses, respectively.

Agency's overall financial performance thru December 31, 2021 was as follows:

| | Approved Budget | Year-to-Date |
|------------------------------------|------------------------|---------------------|
| FY22 Est. Beg. Fund Balance | \$ 21,352,725 | \$21,352,725 |
| FY22 Revenues | <u>33,056,693</u> | <u>15,140,057</u> |
| FY22 Expenditures | <u>(39,123,515)</u> | <u>(15,053,579)</u> |
| FY22 Est. End. Fund Balance | \$15,285,903 | \$21,439,203 |

FINANCING:

There is no financial impact for receiving this report.

Prepared by: Nan Kyung Kim, Finance Manager III, (831) 755-4860

Approved by: Brent Buche, General Manager, (831) 755-4860

Attachments:

1. FY 2021-22 2nd Quarter Financial Summary



Monterey County

Item No.

Board Report

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

Legistar File Number: WRAG 22-024

February 22, 2022

Introduced: 2/10/2022

Current Status: Agenda Ready

Version: 1

Matter Type: WR General Agenda

Receive the Monterey County Water Resources Agency (MCWRA) FY 2021-2022 Second Quarter Financial Status Report through December 31, 2021.

RECOMMENDATION:

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SUMMARY/DISCUSSION:

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| | Approved Budget | Year-to-Date |
|------------------------------------|------------------------|---------------------|
| FY22 Est. Beg. Fund Balance | \$ 21,352,725 | \$21,352,725 |
| FY22 Revenues | <u>33,056,693</u> | <u>15,140,057</u> |
| FY22 Expenditures | <u>(39,123,515)</u> | <u>(15,053,579)</u> |
| FY22 Est. End. Fund Balance | \$15,285,903 | \$21,439,203 |

FINANCING:

There is no financial impact for receiving this report.

Prepared by: Nan Kyung Kim, Finance Manager III, (831) 755-4860

Approved by: Brent Buche, General Manager, (831) 755-4860

Attachments:

1. FY 2021-22 2nd Quarter Financial Summary

**MONTEREY COUNTY
WATER RESOURCES AGENCY
FY 2021-2022 FINANCIAL STATUS REPORT**

For Month Ending: December 31, 2021

% Monthly Time Elapsed: 50.00%

| Updated: 01.18.2022 | | | ADOPTED BUDGET | | | | YEAR-TO-DATE | | | | | |
|---------------------|------|---------------------------|--|-----------------------------------|------------------------------|-------------------------------------|-------------------------------|-------------------------------|--------------------------|-------------------------------|-------------------------------------|------|
| Fund | Unit | Fund Name | Estimated 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 Ending Fund Balance | Fund |
| 111 | 8267 | WRA Administration Fund | 2,559,605 | 4,892,156 | 3,521,094 | 1,188,543 | 1,977,697 | 40.4% | 2,479,586 | 70.4% | 3,061,494 | 111 |
| 112 | 8484 | Pajaro Levee | 640,323 | 1,498,321 | 1,185,903 | 327,905 | 440,728 | 29.4% | 322,667 | 27.2% | 522,262 | 112 |
| 116 | 8485 | Dam Operations | 2,125,081 | 7,564,233 | 6,707,138 | 1,267,986 | 3,068,961 | 40.6% | 2,936,520 | 43.8% | 1,992,641 | 116 |
| 121 | 8486 | Soledad Storm Drain | 218,099 | 117,377 | 93,996 | 194,718 | 42,737 | 36.4% | 45,618 | 48.5% | 220,980 | 121 |
| 122 | 8487 | Reclamation Ditch | 1,786,806 | 2,308,417 | 1,568,928 | 1,047,317 | 1,322,084 | 57.3% | 805,160 | 51.3% | 1,269,881 | 122 |
| 124 | 8488 | San Lorenzo Creek | 58,120 | 78,565 | 45,342 | 24,897 | 36,435 | 46.4% | 25,764 | 56.8% | 47,448 | 124 |
| 127 | 8489 | Moro Cojo Slough | 534,991 | 286,878 | 96,327 | 344,440 | 44,219 | 15.4% | 51,856 | 53.8% | 542,628 | 127 |
| 130 | 8490 | Hydro-Electric Operations | 1,886,007 | 1,033,859 | 310,000 | 1,162,148 | 346,144 | 33.5% | 319,677 | 103.1% | 1,859,540 | 130 |
| 131 | 8491 | CSIP Operations | 2,764,585 | 7,675,205 | 6,168,720 | 1,258,100 | 1,766,781 | 23.0% | 4,175,632 | 67.7% | 5,173,436 | 131 |
| 132 | 8492 | SVRP Operations | 1,816,751 | 4,472,700 | 4,314,537 | 1,658,588 | 1,636,350 | 36.6% | 2,826,486 | 65.5% | 3,006,887 | 132 |
| 134 | 8493 | SRDF Operations | 4,146,338 | 4,157,485 | 4,021,667 | 4,010,520 | 2,009,260 | 48.3% | 919,443 | 22.9% | 3,056,520 | 134 |
| 303 | 8267 | CSIP Debt Service Fund | 770,672 | 1,767,403 | 1,767,403 | 770,672 | 0 | 0.0% | 0 | 0.0% | 770,672 | 303 |
| 313 | 8494 | Debt Services | 1,034,988 | 1,755,638 | 1,755,638 | 1,034,988 | 1,280,719 | 72.9% | 1 | 0.0% | (245,729) | 313 |
| 426 | 8495 | Interlake Tunnel Project | 1,010,359 | 1,515,278 | 1,500,000 | 995,081 | 1,081,465 | 71.4% | 231,646 | 15.4% | 160,540 | 426 |
| TOTAL: | | | 21,352,725 | 39,123,515 | 33,056,693 | 15,285,903 | 15,053,579 | 38.5% | 15,140,057 | 45.8% | 21,439,203 | |

* \$105K had been transferred from Fund 116 fund balance to 116 CAMP for capital project *



Before the Board of Directors of the Monterey County Water Resources Agency

County of Monterey, State of California

BOARD ORDER No. _____

RECEIVE THE MONTEREY COUNTY WATER)
RESOURCES AGENCY FY **2021-2022 SECOND**)
QUARTER FINANCIAL STATUS REPORT)
THROUGH DECEMBER 31, 2021)

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

Receives the Monterey County Water Resources Agency FY 2021-2022 Second Quarter Financial Status Report through December 31, 2021.

PASSED AND ADOPTED on this **22nd** day of **February 2022**, by the following vote, to-wit:

AYES:

NOES:

ABSENT:

BY: John Baillie, Chair
Board of Directors

ATTEST: Brent Buche
General Manager



Monterey County

Item No.5

Board Report

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

Legistar File Number: WRAG 22-025

February 22, 2022

Introduced: 2/10/2022

Current Status: Agenda Ready

Version: 1

Matter Type: WR General Agenda

Recommend that the Monterey County Water Resources Agency Board of Supervisors adopt a resolution authorizing the General Manager to enter into a grant agreement with the National Fish and Wildlife Foundation to fund the Salinas River Lagoon Community Engagement and Planning Project.

RECOMMENDATION:

It is recommended that the Monterey County Water Resources Agency Board of Directors:

Recommend that the Monterey County Water Resources Agency Board of Supervisors adopt a resolution authorizing the General Manager to enter into a grant agreement with the National Fish and Wildlife Foundation to fund the Salinas River Lagoon Community Engagement and Planning Project.

SUMMARY:

The Monterey County Water Resources Agency (Agency) applied for and was awarded a \$100,000 grant to fund the proposed Salinas River Lagoon Community Engagement and Planning Project (Project). Federal and corporate grant funds from the National Coastal Resilience Fund will be distributed through the National Fish and Wildlife Foundation (NFWF) to fund the proposed Project.

DISCUSSION:

The proposed grant funded Project will build upon the 1997 Salinas River Lagoon Management and Enhancement Plan and the 2019 Salinas River Long-term Management Plan to develop a portfolio of projects and management strategies to enhance resilience and reduce flood risk at the Salinas River Lagoon. The Project will include a process to engage stakeholders, conservation organizations, and regulators to help identify and prioritize a list of projects or management strategies for future implementation. The process will prioritize nature based or hybrid projects that also benefit fish, wildlife, and water quality in the lower Salinas watershed.

The projects and strategies identified during this process will also be used to support the development of a Long-term Salinas River Lagoon Sandbar Management Plan and Central Coast Regional Water Quality Control Board permit for sandbar management activities. Applicable projects may also be evaluated as mitigation measures under proposed Salinas River Habitat Conservation Plan.

The Project will support Strategic Plan Goal D by identifying projects or strategies to improve the core functions of flood prevention and Salinas River Lagoon sandbar management; Goal A by evaluating existing flow regulating infrastructure related to the Salinas River Lagoon and Old Salinas River; Goal B by identifying projects that could support the mitigation requirements of the Salinas River Habitat Conservation Plan; and Goal C by leveraging grant funding to support these actions.

OTHER AGENCY INVOLVEMENT:

The United States Fish and Wildlife Service, California Department of Fish and Wildlife, National Marine Fisheries Service, Central Coast Regional Water Quality Control Board, and California State Parks will be invited to participate in the outreach process.

At the February 4, 2022 meeting, the Finance Committee offered support of an Agency Board of Directors recommendation that the Agency Board of Supervisors adopt a resolution authorizing the General Manager to enter into a grant agreement with the NFWF to fund the Salinas River Lagoon Community Engagement and Planning Project.

FINANCING:

The Agency will receive \$100,000 in NFWF grant funding with approximately \$100,000 of in-kind match. In-kind funding will be provided through equal combinations of Agency staff time and consultant spending. Approximately \$50,000 of Agency funding will be identified between the FY23 and FY24 budgets to pay for consultant work to support the Project.

Prepared by: Jason Demers, Associate Water Resources Engineer, (831) 755-4860

Approved by: Brent Buche, General Manager, (831) 755-4860



Monterey County

Item No.

Board Report

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

Legistar File Number: WRAG 22-025

February 22, 2022

Introduced: 2/10/2022

Current Status: Agenda Ready

Version: 1

Matter Type: WR General Agenda

Recommend that the Monterey County Water Resources Agency Board of Supervisors adopt a resolution authorizing the General Manager to enter into a grant agreement with the National Fish and Wildlife Foundation to fund the Salinas River Lagoon Community Engagement and Planning Project.

RECOMMENDATION:

It is recommended that the Monterey County Water Resources Agency Board of Directors:

Recommend that the Monterey County Water Resources Agency Board of Supervisors adopt a resolution authorizing the General Manager to enter into a grant agreement with the National Fish and Wildlife Foundation to fund the Salinas River Lagoon Community Engagement and Planning Project.

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The proposed grant funded Project will build upon the 1997 Salinas River Lagoon Management and Enhancement Plan and the 2019 Salinas River Long-term Management Plan to develop a portfolio of projects and management strategies to enhance resilience and reduce flood risk at the Salinas River Lagoon. The Project will include a process to engage stakeholders, conservation organizations, and regulators to help identify and prioritize a list of projects or management strategies for future implementation. The process will prioritize nature based or hybrid projects that also benefit fish, wildlife, and water quality in the lower Salinas watershed.

The projects and strategies identified during this process will also be used to support the development of a Long-term Salinas River Lagoon Sandbar Management Plan and Central Coast Regional Water Quality Control Board permit for sandbar management activities. Applicable projects may also be evaluated as mitigation measures under proposed Salinas River Habitat Conservation Plan.

The Project will support Strategic Plan Goal D by identifying projects or strategies to improve the core functions of flood prevention and Salinas River Lagoon sandbar management; Goal A by evaluating existing flow regulating infrastructure related to the Salinas River Lagoon and Old Salinas River; Goal B by identifying projects that could support the mitigation requirements of the Salinas River Habitat Conservation Plan; and Goal C by leveraging grant funding to support these actions.

OTHER AGENCY INVOLVEMENT:

The United States Fish and Wildlife Service, California Department of Fish and Wildlife, National Marine Fisheries Service, Central Coast Regional Water Quality Control Board, and California State Parks will be invited to participate in the outreach process.

At the February 4, 2022 meeting, the Finance Committee offered support of an Agency Board of Directors recommendation that the Agency Board of Supervisors adopt a resolution authorizing the General Manager to enter into a grant agreement with the NFWF to fund the Salinas River Lagoon Community Engagement and Planning Project.

FINANCING:

The Agency will receive \$100,000 in NFWF grant funding with approximately \$100,000 of in-kind match. In-kind funding will be provided through equal combinations of Agency staff time and consultant spending. Approximately \$50,000 of Agency funding will be identified between the FY23 and FY24 budgets to pay for consultant work to support the Project.

Prepared by: Jason Demers, Associate Water Resources Engineer, (831) 755-4860

Approved by: Brent Buche, General Manager, (831) 755-4860



Before the Board of Directors of the Monterey County Water Resources Agency

County of Monterey, State of California

BOARD ORDER No.

RECOMMEND THAT THE MONTEREY COUNTY WATER RESOURCES)
AGENCY BOARD OF SUPERVISORS ADOPT A RESOLUTION)
AUTHORIZING THE GENERAL MANAGER TO ENTER INTO A GRANT)
AGREEMENT WITH THE NATIONAL FISH AND WILDLIFE FOUNDATION TO)
FUND THE SALINAS RIVER LAGOON COMMUNITY ENGAGEMENT AND)
PLANNING PROJECT)

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

Recommends that the Monterey County Water Resources Agency Board of Supervisors adopt a resolution authorizing the General Manager to enter into a grant agreement with the National Fish and Wildlife Foundation to fund the Salinas River Lagoon Community Engagement and Planning Project.

PASSED AND ADOPTED on this **22nd day of February 2022** by the following vote, to-wit:

AYES:

NOES:

ABSENT:

BY: John Baillie, Chair
Board of Directors

ATTEST: Brent Buche
General Manager



Monterey County

Item No.6

Board Report

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

Legistar File Number: WRAG 22-027

February 22, 2022

Introduced: 2/10/2022

Current Status: Agenda Ready

Version: 1

Matter Type: WR General Agenda

Consider receiving an update from Matt Turrentine, a Director on the Board of Shandon-San Juan Water District/Shandon-San Juan Groundwater Sustainability Agency, regarding water right applications filed with the California State Water Resources Control Board to appropriate water from the Nacimiento and Salinas Rivers; and provide direction to staff as appropriate.

RECOMMENDATION:

It is recommended that the Monterey County Water Resources Agency Board of Directors:

Receive an update from Matt Turrentine, a Director on the Board of Shandon-San Juan Water District/Shandon-San Juan Groundwater Sustainability Agency (Shandon) regarding water right applications filed with the California State Water Resources Control Board (SWRCB) to appropriate water from the Nacimiento and Salinas Rivers; and provide direction to staff as appropriate.

SUMMARY/DISCUSSION:

Under California law, the SWRCB regulates all post-1914 appropriative water rights. This process includes the issuance of new water rights, and the licensing and monitoring of water put to beneficial use.

In February 2021, two water right applications were filed with the State Water Resources Control Board for appropriation of water at Santa Margarita Lake/Salinas Dam on the Salinas River and at the Nacimiento Reservoir. Both applications were filed by the Shandon-San Juan Water District and propose to appropriate 14,000 acre-feet of water through both direct diversion and storage in the existing reservoirs. The Monterey County Water Resources Agency (MCWRA) owns and operates the Nacimiento Reservoir, and the United States Army Corps of Engineers owns the Salinas Dam and it is operated by the County of San Luis Obispo.

In May of 2021, the Board of Supervisors of the County of Monterey, the Board of Supervisors of MCWRA and the MCWRA Board of Directors submitted a letter to the State Water Resources Control Board opposing the two applications (see attachment 1). San Luis Obispo County also submitted a similar letter.

In early January 2022, Mr. Turrentine reached out to General Manager Brent Buche with a request for him to provide an update on Shandon's applications and this BOD meeting is the first opportunity that could be scheduled.

OTHER AGENCY INVOLVEMENT:

None

FINANCING:

None identified at this time.

Prepared by: Elizabeth Krafft, Deputy General Manager, (831) 755-4860

Approved by: Brent Buche, General Manager (831) 755-4860

Attachment:

1. Letters of Opposition



Monterey County

Item No.

Board Report

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

Legistar File Number: WRAG 22-027

February 22, 2022

Introduced: 2/10/2022

Current Status: Agenda Ready

Version: 1

Matter Type: WR General Agenda

Consider receiving an update from Matt Turrentine, a Director on the Board of Shandon-San Juan Water District/Shandon-San Juan Groundwater Sustainability Agency, regarding water right applications filed with the California State Water Resources Control Board to appropriate water from the Nacimiento and Salinas Rivers; and provide direction to staff as appropriate.

RECOMMENDATION:

It is recommended that the Monterey County Water Resources Agency Board of Directors:

Receive an update from Matt Turrentine, a Director on the Board of Shandon-San Juan Water District/Shandon-San Juan Groundwater Sustainability Agency (Shandon) regarding water right applications filed with the California State Water Resources Control Board (SWRCB) to appropriate water from the Nacimiento and Salinas Rivers; and provide direction to staff as appropriate.

SUMMARY/DISCUSSION:

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In May of 2021, the Board of Supervisors of the County of Monterey, the Board of Supervisors of MCWRA and the MCWRA Board of Directors submitted a letter to the State Water Resources Control Board opposing the two applications (see attachment 1). San Luis Obispo County also submitted a similar letter.

In early January 2022, Mr. Turrentine reached out to General Manager Brent Buche with a request for him to provide an update on Shandon's applications and this BOD meeting is the first opportunity that could be scheduled.

OTHER AGENCY INVOLVEMENT:

None

FINANCING:

None identified at this time.

Prepared by: Elizabeth Krafft, Deputy General Manager, (831) 755-4860

Approved by: Brent Buche, General Manager (831) 755-4860

Attachment:

1. Letters of Opposition

MONTEREY COUNTY

BOARD OF SUPERVISORS

LUIS A. ALEJO, *District 1*
JOHN M. PHILLIPS, *District 2*
CHRIS M. LOPEZ, *District 3*
WENDY ROOT ASKEW, *Chair, District 4*
MARY ADAMS, *Vice Chair, District 5*



May 25, 2021

State Water Resources Control Board
Division of Water Rights
Attention: Mr. Erik Ekdahl, Deputy Director
P.O. Box 2000
Sacramento, CA 95812-2000

Re: Opposition to Shandon-San Juan Water District's Applications to Appropriate Water A033189 and A033190

Dear Mr. Ekdahl,

On behalf of the County of Monterey and the Monterey County Water Resources Agency ("MCWRA"), I am submitting this letter of opposition to the two applications to appropriate water submitted to your agency by Shandon-San Juan Water District ("Shandon"). Monterey County and MCWRA have serious concerns with the two applications, do not believe Shandon will be able to adequately address the applications' deficiencies, and respectively request that these applications be rejected. Importantly, MCWRA owns and operates Nacimiento Reservoir and does not consent to Shandon's proposed use of Nacimiento Reservoir. Also, MCWRA fully utilizes its water rights (License 7543 and Permit 21089) for Nacimiento Reservoir and intends to continue this use. Lastly, portions of the Salinas Valley Groundwater Basin are in critical overdraft and increased diversions on the Nacimiento and Salinas Rivers impact senior water right holders and riparian users.

Sincerely,

Chair Wendy Root Askew
Board of Supervisors of the County of Monterey
Board of Supervisors of the Monterey County Water Resources
Agency

Cc: Erica Rhyne-Christensen, SWRCB
Shelby Witherby, SWRCB

MONTEREY COUNTY

WATER RESOURCES AGENCY

PO BOX 930
SALINAS, CA 93902
P: (831) 755-4860
F: (831) 424-7935

BRENT BUCHE
GENERAL MANAGER



STREET ADDRESS
1441 SCHILLING PLACE, NORTH BUILDING
SALINAS, CA 93901

May 19, 2021

State Water Resources Control Board
Division of Water Rights
Attention: Mr. Erik Ekdahl, Deputy Director
P.O. Box 2000
Sacramento, CA 95812-2000
Email: Erik.Ekdahl@waterboards.ca.gov

Re: Opposition to Shandon-San Juan Water District's Applications to Appropriate Water (A033189 and A033190)

Dear Mr. Ekdahl,

I am submitting this letter in response to Shandon-San Juan Water District's ("Shandon") applications to appropriate water from the Nacimiento River Stream System (A033190), and from the Salinas River Stream System (A033189). The Monterey County Water Resources Agency ("MCWRA") has serious concerns with the two applications, does not believe Shandon will be able to adequately address the applications' deficiencies and respectfully request that these applications be rejected.

First, in response to Ms. Rhyne-Christensen's letter to Shandon from March 5, 2021, MCWRA has not given Shandon right of access to Nacimiento Reservoir and does not consent to its proposed use of Nacimiento. In fact, Shandon has not even approached MCWRA on this issue. Second, MCWRA fully utilizes its water rights (License 7543 and Permit 21089) for Nacimiento and intends to continue this use. Third, portions of the Salinas Valley Groundwater Basin are in critical overdraft and increased diversions on the Nacimiento and Salinas Rivers impact senior water right holders and riparian users.

MCWRA requests that any additional information that is submitted to or prepared by the State Board, related to these applications, be forwarded to MCWRA for our review. If you would like to discuss this matter further, please contact me at 831-901-6703 or bucheb@co.monterey.ca.us.

Sincerely,

E-signed 5/18/2021

Brent Buche

cc: Erica Rhyne-Christensen, SWRCB
Shelby Witherby, SWRCB



Before the Board of Directors of the Monterey County Water Resources Agency

County of Monterey, State of California

BOARD ORDER No. _____

RECEIVE AN UPDATE FROM MATT TURRENTINE,)
A DIRECTOR ON THE BOARD OF SHANDON-SAN JUAN)
WATER DISTRICT/SHANDON-SAN JUAN GROUNDWATER)
SUSTAINABILITY AGENCY (SHANDON) REGARDING)
WATER RIGHT APPLICATIONS FILED WITH THE)
CALIFORNIA STATE WATER RESOURCES CONTROL)
BOARD (SWRCB) TO APPROPRIATE WATER FROM THE)
NACIMIENTO AND SALINAS RIVERS; AND PROVIDE)
DIRECTION TO STAFF AS APPROPRIATE)

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

Receives an update from Matt Turrentine, a Director on the Board of Shandon-San Juan Water District/Shandon-San Juan Groundwater Sustainability Agency (Shandon) regarding water right applications filed with the California State Water Resources Control Board (SWRCB) to appropriate water from the Nacimiento and Salinas Rivers; and provides direction to staff as appropriate

PASSED AND ADOPTED on this **22nd** day of **February 2022**, by the following vote, to-wit:

AYES:

NOES:

ABSENT:

BY: John Baillie, Chair
Board of Directors

ATTEST: Brent Buche
General Manager



Monterey County

Item No.7

Board Report

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

Legistar File Number: WRAG 22-031

February 22, 2022

Introduced: 2/14/2022

Current Status: Agenda Ready

Version: 1

Matter Type: WR General Agenda

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

- a. Authorize the Monterey County Water Resources Agency General Manager to begin negotiations related to use of New Source Waters for the Castroville Seawater Intrusion Project pursuant to Section 16.16 of the Amended and Restated Water Recycling Agreement with Monterey One Water; and
- b. Authorize the General Manager to negotiate a new agreement with the City of Salinas and Monterey One Water for use of Industrial Wastewater Utilizing Pond 3 in response to current drought conditions.

RECOMMENDATION:

It is recommended that the Monterey County Water Resources Agency Board of Directors recommend that the Monterey County Water Resources Agency Board of Supervisors:

- a. Authorize the Monterey County Water Resources Agency General Manager to begin negotiations related to use of New Source Waters for the Castroville Seawater Intrusion Project pursuant to Section 16.16 of the Amended and Restated Water Recycling Agreement with Monterey One Water; and
- b. Authorize the General Manager to negotiate a new agreement with the City of Salinas and Monterey One Water for use of Industrial Wastewater Utilizing Pond 3 in response to current drought conditions.

SUMMARY/DISCUSSION:

The Castroville Seawater Intrusion Project (CSIP) is part of a conjunctive use system that delivers a combination of recycled water, Salinas River water, and groundwater to farmers to reduce groundwater extraction within seawater intruded areas of the 180/400-Foot Aquifer Subbasin. When Salinas River water is not available to divert, an increase of groundwater pumping is observed in the project area. Per the United States Drought Monitor, Monterey County is experiencing severe to moderate drought conditions. This is demonstrated by third consecutive year of limited winter inflow to the Monterey County Water Resources Agency's (MCWRA) reservoirs, Nacimiento and San Antonio (Reservoirs), with current storage capacities of 29% and 11%, respectively. At times, releases are made from both Reservoirs to support groundwater recharge and diversions to the CSIP system. Due to the relatively low combined Reservoir storage levels, it is unlikely there will be much, if any opportunity to make these kind of Reservoir releases in the upcoming season. This will be determined over the next few months through a Drought Procedures approach. A Drought Operations Technical Advisory Committee (D-TAC) has been established to develop the reservoir release schedule for April through December 2022. They will also develop goals for operations during

January through March 2023, if this dry weather pattern persists.

Monterey One Water (M1W) operates the CSIP system through terms in the Amended and Restated Water Recycling Agreement (ARWRA) and amendments (Attachment 1). There are specific conditions described in Section 16.15 of the ARWRA that must be met prior to the use of New Source Waters defined in the ARWRA. If all of those conditions cannot be met, then Section 16.16 describes an alternative approach for the use of the New Source Waters. In such an instance, MCWRA would retain the right to utilize the Agricultural Wash Water, also referred to as Industrial Wastewater, from the City of Salinas. M1W will be allowed to use MCWRA's water rights for Blanco Drain, Reclamation Ditch and Tembladero Slough. Unfortunately, the Tembladero Slough water right was not permitted and is not available for use. A separate agreement would be necessary to incorporate these provisions.

Through extensive efforts from MCWRA, M1W and other agencies, Conditions 1 and 2 in Section 16.15 have been met. A letter received from the California Regional Water Quality Control Board (Attachment 2) dated June 30, 2021, states that the Regional Board cannot make the required finding to meet the terms in Condition 3 of Section 16.15. As a result, a new agreement to comply with Section 16.16 of the ARWRA and for long-term use of Industrial Wastewater is necessary. Amending the ARWRA to address the new source waters and any other components, may also be necessary.

MCWRA, M1W and the City of Salinas successfully negotiated a short-term 60-day agreement for use of the Industrial Wastewater Utilizing Pond 3 Improvements during the summer and fall of 2021. Due to the timing of final approval of the short-term agreement, the Industrial Wastewater was not utilized as source water in the CSIP because total irrigation demands were less than total wastewater flows already available to CSIP. The irrigation season in 2022 is projected to exceed available wastewater supply and it is unlikely that river diversions will be available during the season. There are water quality issues that arise from diverting Industrial Wastewater directly, which impacts the treatment processes and results in increased costs to the recycled water customers. This has identified the need for utilizing the Industrial Wastewater that is stored in Pond 3 at the City of Salinas Industrial Wastewater Facility. It would provide a steadier amount of water with higher water quality. The use of Pond 3 water requires an agreement between MCWRA, the City of Salinas, and M1W. Therefore, it is recommended that a new agreement for Industrial Wastewater Utilizing Pond 3 Improvements be negotiated prior to the commencement of the peak irrigation season. The final agreement would come back before the MCWRA Board of Directors and Board of Supervisors concurrently with M1W and City of Salinas' approval processes.

This action is related to MCWRA's Strategic Plan Goal B - Planning and New Projects; Strategy 1: Expand and optimize the Castroville Seawater Intrusion Project (CSIP) system and Strategy 5: Develop plans to enhance our critical water resources facilities and increase sustainability.

OTHER AGENCY INVOLVEMENT:

City of Salinas and Monterey One Water

FINANCING:

Staff time, contractor time and other costs associated with delivering recycled water, are included in the approved FY 22 budget

Prepared by: Shaunna Murray, Senior Water Resources Engineer, (831) 755-4860

Approved by: Brent Buche, General Manager, (831) 755-4860

Attachments:

1. Amended and Restated Water Recycling Agreement, and Amendments
2. RWQCB letter to MCWRA regarding Condition Precedent 3



Monterey County

Item No.

Board Report

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

Legistar File Number: WRAG 22-031

February 22, 2022

Introduced: 2/14/2022

Current Status: Agenda Ready

Version: 1

Matter Type: WR General Agenda

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RECOMMENDATION:

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This action is related to MCWRA's Strategic Plan Goal B - Planning and New Projects; Strategy 1: Expand and optimize the Castroville Seawater Intrusion Project (CSIP) system and Strategy 5: Develop plans to enhance our critical water resources facilities and increase sustainability.

OTHER AGENCY INVOLVEMENT:

City of Salinas and Monterey One Water

FINANCING:

Staff time, contractor time and other costs associated with delivering recycled water, are included in the approved FY 22 budget

Prepared by: Shaunna Murray, Senior Water Resources Engineer, (831) 755-4860

Approved by: Brent Buche, General Manager, (831) 755-4860

Attachments:

1. Amended and Restated Water Recycling Agreement, and Amendments
2. RWQCB letter to MCWRA regarding Condition Precedent 3

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



Table of Contents

| | |
|--|-----------|
| I. CONSTRUCTION OF THE NEW SOURCE WATER FACILITIES..... | 9 |
| 1.01. PCA to construct New Source Water Facilities. | 9 |
| 1.02. Change orders. | 9 |
| 1.03. Location of the New Source Water Facilities. | 9 |
| 1.04. Projected Future New Source Water Facilities. | 9 |
| 1.05. Cooperation between agencies..... | 10 |
| 1.06. Regular meetings. | 10 |
| II. ESTIMATED COSTS AND FINANCING FOR NEW SOURCE WATER FACILITIES.10 | |
| 2.01. New Source Water Facilities. | 10 |
| 2.02. Estimated design and construction costs of New Source Water Facilities. | 11 |
| 2.03. Source Water..... | 11 |
| III. OWNERSHIP, OPERATION AND MAINTENANCE OF CSIP, SVRP, SRDF AND NEW SOURCE WATER FACILITIES. | 11 |
| 3.01. Ownership, operation, and maintenance, in general. | 11 |
| 3.02. Safety and loss prevention program..... | 12 |
| 3.03. Warranties. | 12 |
| 3.04. Right to inspect. | 12 |
| 3.05. Daily operation. | 12 |
| 3.06. Incidental uses..... | 13 |
| 3.07. Notice of temporary cessation of water deliveries..... | 13 |
| 3.08. Outside Contracts..... | 13 |
| 3.09. Access to CSIP and SRDF facilities. | 13 |
| IV. PROVISION OF RECYCLED WATER TO WRA FROM PCA..... | 13 |
| 4.01. Existing Allocations..... | 13 |
| 4.02. New Incremental and Interruptible Allocations (New Source Water) – Phase I..... | 14 |
| 4.03. Operations and Maintenance Treatment Cost Allocation. | 15 |
| 4.04. New Incremental and Interruptible Allocations – Phase II..... | 15 |
| 4.05. Provisions for Drought Reserve..... | 16 |
| 4.06. Water Quality Enhancement Options. | 16 |
| V. DELIVERY OF WATER TO WRA..... | 17 |
| 5.01. Quantity of water to be delivered to WRA SVRP. | 17 |
| 5.02. WRA's demand schedule..... | 17 |
| 5.03. WRA's demand. | 17 |
| 5.04. PCA'S duty to comply with WRA demand. | 17 |

| | |
|---|-----------|
| VI. MAINTENANCE OF WATER QUALITY..... | 17 |
| 6.01. Water Quality..... | 17 |
| 6.02. Duty to monitor water quality; cessation in deliveries. | 18 |
| 6.03. Regulations to protect water quality. | 18 |
| 6.04. Water Quality and Operations Committee..... | 18 |
| VII. PAYMENTS BY WRA TO PCA | 19 |
| 7.01. Consideration paid by WRA..... | 19 |
| 7.02. Amounts to be paid. | 19 |
| 7.03. Payment schedule. | 19 |
| 7.04. Payment procedures. | 20 |
| 7.05. Reduction or termination of water delivery for lack of payment; judicial remedies. | 20 |
| 7.06. Prior approval of budget by WRA. | 21 |
| 7.07. SWRCB as third party beneficiary. | 21 |
| 7.08. Priorities of payment..... | 21 |
| 7.09. Application of loan payments by PCA. | 22 |
| 7.10. Unanticipated events/Emergency situations | 22 |
| 7.11. Decision-making authority..... | 22 |
| VIII. ACCOUNTING SYSTEM, REPORTS | 23 |
| 8.01. Accounting system..... | 23 |
| 8.02. Financial reports. | 23 |
| 8.03. Direct and indirect costs..... | 23 |
| 8.04. Annual audit..... | 24 |
| 8.05. Right to inspect and audit records..... | 24 |
| 8.06. Reimbursement for overcharge or undercharge..... | 24 |
| IX. REPAIR AND MODIFICATION OF SVRP, CSIP, SRDF, AND NEW SOURCE WATER FACILITIES AND RELATED FACILITIES..... | 24 |
| 9.01. SVRP, CSIP, and SRDF Reserve Funds..... | 24 |
| 9.02. Replacement and Renewal Costs Associated with New Source Water Facilities. | 25 |
| 9.03. Expansion of treatment plant capacity. | 25 |
| 9.04. Interruptions of service. | 25 |
| 9.05. Duty to apply insurance proceeds. | 25 |
| 9.06. Payment of uninsured losses. | 25 |
| 9.07. New Water Recycling Agreement on replacement of SVRP. | 26 |
| X. INDEMNIFICATION..... | 26 |
| 10.01. Indemnification of WRA. | 26 |
| 10.02. Indemnification of PCA..... | 26 |

| | | |
|--------------|---|-----------|
| 10.03. | Procedure for Indemnification. | 26 |
| 10.04. | Payment of indemnified claims. | 27 |
| 10.05. | Contribution in the event of shared liability. | 27 |
| 10.06. | Exclusion from O&M costs. | 27 |
| XI. | INSURANCE. | 28 |
| 11.01. | General insurance requirements. | 28 |
| 11.02. | Commercial general liability insurance. | 28 |
| 11.03. | Motor vehicle insurance. | 28 |
| 11.04. | Property insurance. | 28 |
| 11.05. | Workers' compensation insurance. | 29 |
| 11.06. | Certificate of insurance. | 29 |
| 11.07. | Self-insurance. | 29 |
| 11.08. | Insurance costs. | 29 |
| 11.09. | Periodic increases in coverage requirements. | 29 |
| XII. | TERM OF AGREEMENT. | 30 |
| 12.01. | Term of Agreement. | 30 |
| 12.02. | Automatic extension. | 30 |
| 12.03. | Conditions of agreement during term. | 30 |
| 12.04. | Rights on Termination. | 30 |
| XIII. | DISPUTE RESOLUTION. | 31 |
| 13.01. | Dispute resolution procedure. | 31 |
| 13.02. | Duty to meet and confer. | 31 |
| 13.03. | Mediation and Arbitration. | 31 |
| XIV. | ADDITIONAL RESPONSIBILITIES. | 31 |
| 14.01. | Compliance with water reclamation requirements for the CSIP. | 31 |
| 14.02. | Grower and landowner requirements. | 31 |
| 14.03. | Reports to U.S. Department of the Interior, Bureau of Reclamation. | 32 |
| 14.04. | Permits and approvals. | 32 |
| 14.05. | Third-party damages. | 32 |
| 14.06. | Assessments. | 32 |
| 14.07. | Physical damage to crops. | 32 |
| XV. | DELIVERY OF WATER TO PCA. | 32 |
| 15.01. | PCA Demand. | 32 |
| 15.02. | PCA Monthly Demand Schedule. | 32 |
| 15.03. | PCA Payment. | 32 |

| | | |
|--|---|-----------|
| 15.04. | No Modification of MCWD Contract Entitlement. | 33 |
| XVI. GENERAL PROVISIONS..... | | 33 |
| 16.01. | Compliance with laws..... | 33 |
| 16.02. | Attorney’s fees..... | 33 |
| 16.03. | Amendments..... | 33 |
| 16.04. | Contract administrators..... | 33 |
| 16.05. | Assignment..... | 33 |
| 16.06. | Negotiated Water Recycling Agreement..... | 34 |
| 16.07. | Time is of essence..... | 34 |
| 16.08. | Headings..... | 34 |
| 16.09. | Entire Water Recycling Agreement..... | 34 |
| 16.10. | Notices..... | 34 |
| 16.11. | Execution of documents..... | 34 |
| 16.12. | Exhibits..... | 34 |
| 16.13. | Severability..... | 35 |
| 16.14. | Waiver..... | 35 |
| 16.15. | Conditions Precedent for New Source Water Facilities..... | 35 |
| 16.16. | Use of New Source Water..... | 36 |
| 16.17. | Written Authorization..... | 36 |
| XVII. EXECUTION..... | | 36 |
| 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 15.03 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 | | |

THIS AMENDED AND RESTATED AGREEMENT [hereinafter referred to as “**Water Recycling Agreement**”] is made and entered into this 3rd 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.

| Component | WRA | PCA | Monterey/Salinas | TOTAL |
|--|----------------------|----------------------|-------------------------|-----------------------|
| 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 |
| TOTAL | \$5.2 Million | \$6.1 Million | | \$11.3 Million |

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.

| Month | Typical Monthly Seasonal Spread (AF) |
|---------------|---|
| May | 138 AF |
| June | 172 AF |
| July | 185 AF |
| August | 155 AF |
| TOTAL: | 650 AF |

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 ¹ | PCA-Winter |
| Ag Wash Water \$198 ² | Salinas (I.R) | WRA ¹ | PCA |
| Blanco Drain \$74 ² | WRA/PCA (IR) | WRA ¹ | PCA |
| Rec/Tembladero Ditch \$77/\$91 ² | WRA/PCA (IR) | WRA ¹ | PCA |
| Storm Water – Monterey \$69 ² | Monterey (IR) | WRA ¹ | PCA |
| Salinas Pond Water Return Facilities \$83 ² | Intended User (IR) | WRA ¹ | PCA |
| Storm Water – Salinas \$69 ² | Salinas (IR) | WRA ¹ | PCA |
| Future WW in 2001 PCA Bound. | Member Entities | WRA ¹ | PCA – Winter |
| Future WW outside 2001 PCA Bound. | Member Entities | WRA (50% of Flow if through SVRP) ¹ | PCA – Winter (50% of Flow if through SVRP; all flows otherwise |
| MCWD – Delivery | Member Entities | MCWD | MCWD |
| Interruptible Rate (IR) | | | |

¹PCA – if through tertiary treatment; operations and maintenance and increased interest rate

²Interruptible 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 31st 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

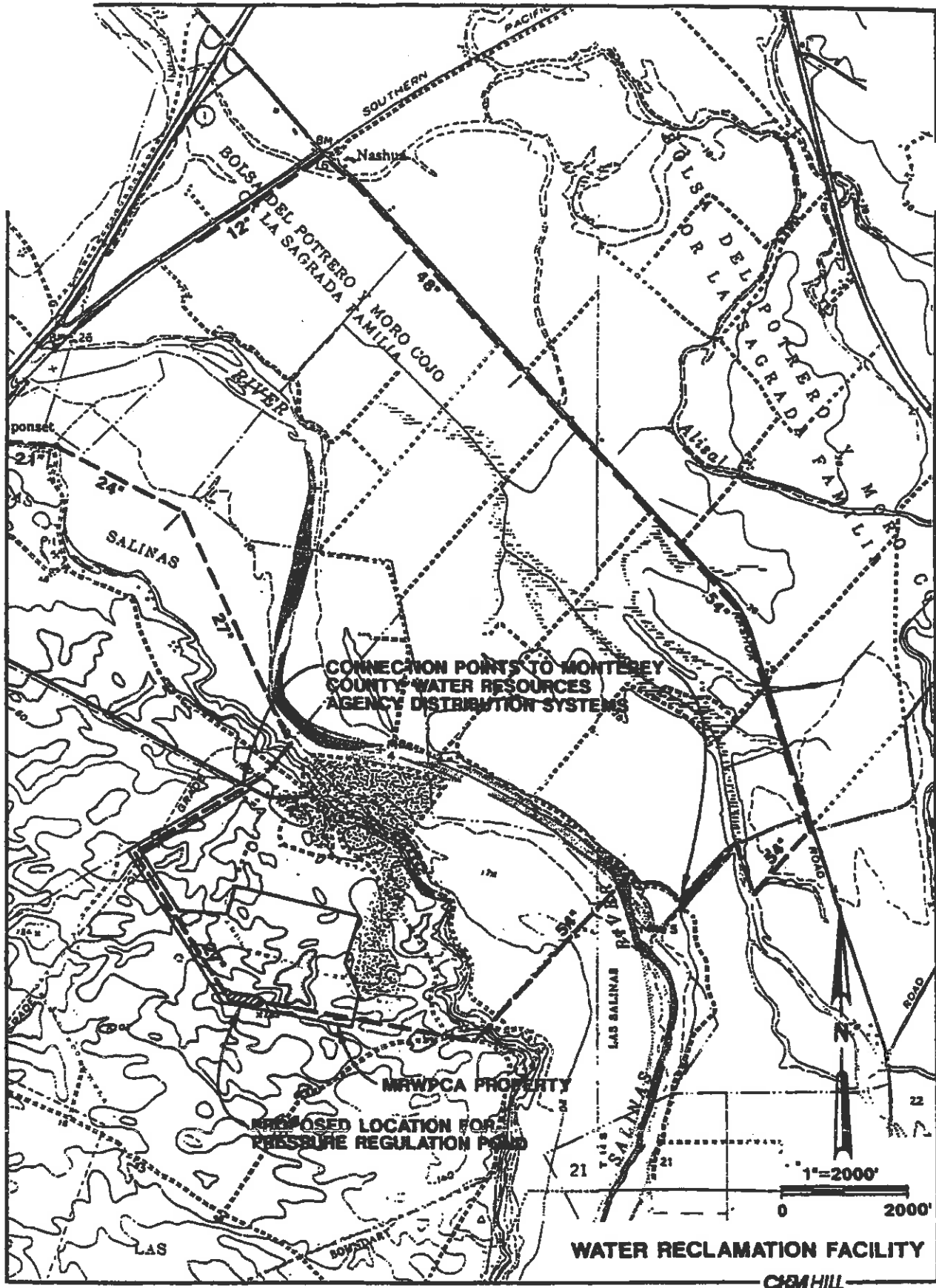


EXHIBIT B

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 ¹ | 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 |
| TOTALS | 21,689 | 6,058 | - | 16,692 | 2,432 | 22,750 |

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 |

| | |
|--------------------------------|---------------------------------|
| Total Payment for 2015: | \$ 1,180,169.88 (actual) |
|--------------------------------|---------------------------------|

Notes:

Annual payment on this loan is due on or around April, 11th. Invoice received by PCA from USDOI 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 |

| | |
|--------------------------------|-------------------------------|
| Total Payment for 2015: | \$ 632,090.19 (actual) |
|--------------------------------|-------------------------------|

Notes:

Annual payment on this loan is due on or around March, 6th. 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 |
|--|---------------------------------|---|---|
| Estimated Original Cost - Equipment Requiring Replacement | | | |
| 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) |
| Estimated Annual Proportional Contribution | | | |
| 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 |
| Estimated Annual Proportional Contribution | | | \$ 111,458 |
| | | | PCA Share \$ 61,191 |
| | | | WRA Share \$ 50,268 |
| (1) Annual inflation factor for replacement cost of equipment | 5.60% | | |
| (Based on Cal-American Water Company factor) | | | |

EXHIBIT J

DRAFT



**COST ALLOCATION PLAN
OVERVIEW**

MRWPCA COST ALLOCATION PLAN

TABLE OF CONTENTS

Section 1. Purpose 1

Section 2. Support Service Department Narratives..... 3

Section 3. Navigating the Cost Plan..... 8

Exhibits

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

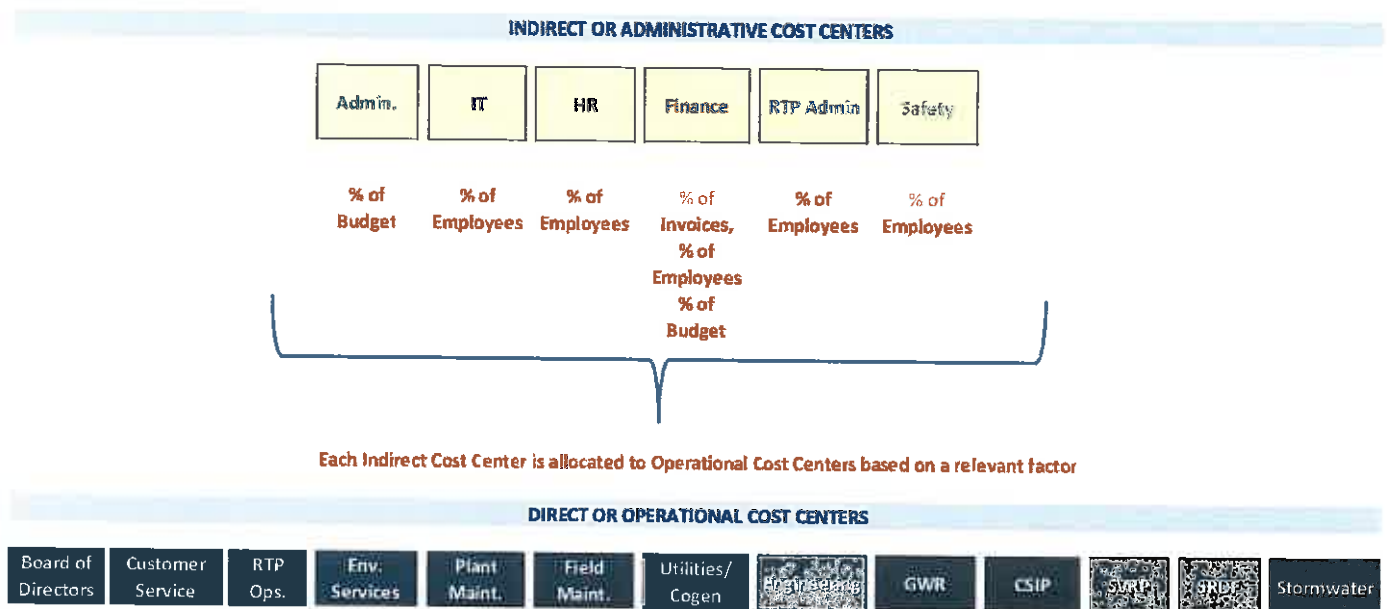
Administrative costs that are charged directly to specific functional areas or capital projects are not allocated as part of this cost allocation plan.

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 1st; 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:

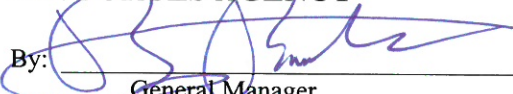
1. Amend Section 7.03, "Payment Schedule", to read as follows:

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.

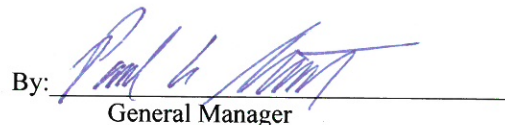
IN WITNESS WHEREOF, the duly authorized representatives of the Parties hereto have executed this Amendment No. 1 to the Agreement as of the day and year first written below:

**MONTEREY COUNTY WATER
RESOURCES AGENCY**

By: 
General Manager

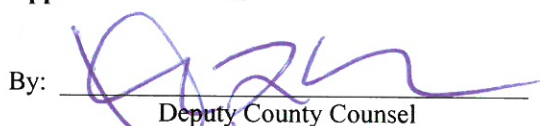
Date: 8/26/19

MONTEREY ONE WATER

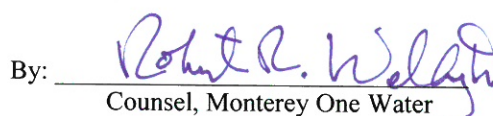
By: 
General Manager

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/g 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 1st, 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

MONTEREY ONE WATER

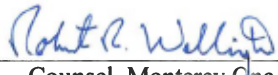
By: 
General Manager

Date: 6/23/2020

Approved as to Form

By: 
Deputy County Counsel

Date: 7/14/20

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 1st, 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 J Donlon
Deputy County Counsel

Date: July 15, 2021

By: Robert C. 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: _____

Central Coast Regional Water Quality Control Board

June 30, 2021

Paul Sciuto, General Manager
Monterey One Water
paul@my1water.org

Via email only

Brent Buche, General Manager
Monterey County Water Resources Agency
bucheb@co.monterey.ca.us

Dear Mr. Sciuto and Mr. Buche:

USE OF BLANCO DRAIN WATERS FOR TREATMENT AND REUSE AS PART OF PURE WATER MONTEREY PROJECT

Monterey One Water (M1W), in cooperation with Monterey County Water Resources Agency (MCWRA) pursuant to a water recycling agreement,¹ has constructed and is operating the Pure Water Monterey project, which was designed to treat water from various sources and provide recycled water to irrigate Salinas Valley cropland and recharge the Seaside groundwater basin.

One of the sources being utilized is water from the Blanco Drain. Per Water Right Permit 21376 issued by the State Water Resources Control Board, the project is allowed to divert all dry weather flows from the Blanco Drain, exclusive of any dry weather flows required to be bypassed, up to six cubic feet per second (cfs) and 3,000 acre-feet per year.² The point of diversion is within the Blanco Drain just upstream of its confluence with the Salinas River. At the diversion point, Blanco Drain dry weather and wet weather flows contain high concentrations of various pollutants, including nutrients, pesticides and herbicides, and sediment. These pollutants are removed from the lower Blanco Drain and prevented from entering the Salinas River during the implementation of complete dry weather flow diversions. The Blanco Drain is subject to water quality limits for nutrients and pesticides/toxicity associated with the Lower Salinas River Watershed Total Maximum Daily Loads (TMDLs) as well as other non-TMDL water quality parameters, such as turbidity, specified in the Water Quality Control Plan for the Central Coastal Basin (Basin Plan). The Central Coast Water Board's recently adopted agricultural order³ (Ag Order 4.0) implements these Basin Plan water quality limits.

¹ November 3, 2015, Amended and Restated Water Recycling Agreement Between Monterey Regional Water Pollution Control Agency and Monterey County Water Resources Agency (Note: Monterey One Water was formerly known as the Monterey Regional Water Pollution Control Agency).

² The water right requires that M1W maintain certain minimum flows from Blanco Drain into the Salinas River during drought conditions, as specified.

³ General Waste Discharge Requirements for Discharges from Irrigated Lands, Order No. R3-2021-0040; https://www.waterboards.ca.gov/centralcoast/water_issues/programs/ag_waivers/regulatory_information.html

Section 16.15 of the water recycling agreement includes the following condition precedent for new source water facilities, and this letter is in response to this condition precedent:

3. *Written findings are made by the Regional Water Quality Control Board that utilization of the Blanco Drain dry weather flows as a New Source Water meets all treatment requirements for the aforesaid dry weather flows(.)*

Although Central Coast Water Board staff supports the Pure Water Monterey project and associated Blanco Drain diversion because of its multiple water supply and water quality benefits, we cannot make the condition precedent finding at this time because it would conflict with the requirements and associated processes contained in Ag Order 4.0.

Ag Order 4.0 includes a third-party process, in lieu of the individual discharger compliance option, by which a compliance pathway consistent with the condition precedent may be developed and approved. Monitoring and reporting requirements in Ag Order 4.0 paragraphs 18 and 19 of Part 2, Section C.3. Surface Water Protection, describe a third-party program process to develop and implement surface receiving water monitoring and reporting work plans and follow-up surface receiving water implementation work plans on behalf of participating dischargers to comply with water quality requirements, including those specified in Ag Order 4.0 for the Blanco Drain to implement the Basin Plan TMDLs and non-TMDL water quality limits. Ag Order 4.0 identifies the Blanco Drain as a third-party program surface water medium priority area subject to a follow-up surface receiving water implementation work plan March 1, 2026 due date. The follow-up surface receiving water implementation work plan along with the supporting surface receiving water monitoring and reporting work plan are subject to Executive Officer review, and interested persons may seek discretionary review by the Central Coast Water Board of the Executive Officer's approval or denial of the work plans.

Please note the surface water monitoring and follow-up surface receiving water implementation work plans will also need to address wet weather flows and un-diverted dry weather flows.

We look forward to continuing to work with M1W, MCWRA, and the agricultural community to continue to make progress on resolving this long-standing water-quality problem.

If you have any questions, please contact Harvey Packard at (805) 235-8435 or Harvey.packard@waterboards.ca.gov.

Sincerely,

Matthew T. Keeling
Executive Officer

cc:

David Stoldt, Monterey Peninsula Water Management District, dstoldt@mpwmd.net
Justine Herrig, SWRCB Division of Water Rights, Justine.herrig@waterboards.ca.gov

Annette Tenneboe, CDFW, Annette.Tenneboe@wildlife.ca.gov
Joel Casagrande, NMFS, joel.casagrande@noaa.gov
William Stevens, NMFS, william.stevens@noaa.gov
Elizabeth Krafft, MCWRA, krafftea@co.monterey.ca.us
Shaunna Murray, MCWRA, murraysl@co.monterey.ca.us
Stephanie Yu, SWRCB Office of Chief Counsel, stephanie.yu@waterboards.ca.gov



Before the Board of Directors of the Monterey County Water Resources Agency

County of Monterey, State of California

BOARD ORDER No. _____

CONSIDER RECOMMENDING THAT THE MONTEREY COUNTY)
WATER RESOURCES AGENCY BOARD OF SUPERVISORS)
AUTHORIZE THE MONTEREY COUNTY WATER RESOURCES)
AGENCY GENERAL MANAGER TO BEGIN NEGOTIATIONS)
RELATED TO USE OF NEW SOURCE WATERS FOR THE)
CASTROVILLE SEAWATER INTRUSION PROJECT PURSUANT)
TO SECTION 16.16 OF THE AMENDED AND RESTATED WATER)
RECYCLING AGREEMENT WITH MONTEREY ONE WATER; AND)
AUTHORIZE THE GENERAL MANAGER TO NEGOTIATE A NEW)
AGREEMENT WITH THE CITY OF SALINAS AND MONTEREY ONE)
WATER FOR USE OF INDUSTRIAL WASTEWATER UTILIZING POND)
3 IN RESPONSE TO CURRENT DROUGHT CONDITIONS)

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

Recommends that the Monterey County Water Resources Agency Board of Supervisors:

- a. Authorize the Monterey County Water Resources Agency General Manager to begin negotiations related to use of New Source Waters for the Castroville Seawater Intrusion Project pursuant to Section 16.16 of the Amended and Restated Water Recycling Agreement with Monterey One Water; and
- b. Authorize the General Manager to negotiate a new agreement with the City of Salinas and Monterey One Water for use of Industrial Wastewater Utilizing Pond 3 in response to current drought conditions.

PASSED AND ADOPTED on this **22nd** day of **February 2022**, by the following vote, to-wit:

AYES:

NOES:

ABSENT:

BY: John Baillie, Chair
Board of Directors

ATTEST: Brent Buche
General Manager



Monterey County

Item No.8

Board Report

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

Legistar File Number: WRAG 22-028

February 22, 2022

Introduced: 2/10/2022

Current Status: Agenda Ready

Version: 1

Matter Type: WR General Agenda

Consider receiving an update on Salinas River Lagoon Sandbar Management and the Low-Effect Habitat Conservation Plan.

RECOMMENDATION:

It is recommended that the Monterey County Water Resources Agency Board of Directors:

Receive an update on Salinas River Lagoon Sandbar Management and the Low-Effect Habitat Conservation Plan.

SUMMARY/DISCUSSION:

Like many central California coastal river systems, the Salinas River is not hydrologically connected to the ocean for much of the year. A naturally occurring sandbar forms at the river mouth during periods of low streamflow creating the Salinas River Lagoon (Lagoon). Over the course of the year the sandbar can build up to be significantly higher than typical dry season Lagoon stage. When winter storms once again create natural streamflow in the Salinas River, flow is trapped behind the sandbar in the Lagoon. Because of the height of the sandbar, the Lagoon has the potential to flood low lying farmland and homes before overtopping the sandbar and flowing to the ocean.

The Agency performs sandbar management on an emergency basis to prevent flooding. Sandbar management is required in most years including 7 of the past 10. Sandbar management has the potential to result in take of federally listed species in and around the lagoon and the Agency does not have a permit to cover incidental take of any listed species.

In 1997 the Agency developed the Salinas River Lagoon Management and Enhancement Plan followed by the 2018 Salinas River Lagoon Sandbar Management Plan Project Description (a project description for an updated sandbar management plan that has yet to be developed) and the Salinas River Sandbar Management Monitoring and Reporting Plan to address concerns related to sandbar management activities related to flood prevention. The plans define criteria for managing the sandbar elevation for flood prevention and define actions to minimize the impact to sensitive species in and around the Lagoon. The existing plans provide guidance for sandbar management activities but do not constitute a current sandbar management plan or the necessary permits to protect the Agency from incidental take under the Endangered Species Act (ESA).

The proposed Salinas River Habitat Conservation Plan (HCP) will address these issues and serve as the basis for the Agency to apply for an incidental take permit (ITP) from the U.S. Fish and Wildlife Service (USFS) under the ESA. The HCP is expected to take around three years to complete.

Because of the multi-year timeline for development of the HCP, the USFWS has strongly encouraged the Agency to pursue a short-term solution to obtain an ITP for sandbar management activities while the HCP is being developed.

To meet the short-term need for an ITP, Agency staff have been working with the USFWS on a strategy to develop a Low-Effect HCP (LEHCP) to cover flood prevention sandbar management activities until the full HCP can be completed. Because of significant overlap between the proposed LEHCP and the full HCP as well as reduced regulatory requirements for LEHCPs, USFWS and Agency staff believe the LEHCP can be completed on a much shorter timeline and at a much lower cost than development of a full HCP. It is estimated that an LEHCP that only covers flood prevention sandbar management and the species directly impacted could be developed in approximately one year with much of the cost being covered under the existing HCP funding mechanisms.

Agency staff plans to continue working with our HCP consultant ICF, the USFWS, and the National Marine Fisheries Service (NMFS) to develop a LEHCP for emergency sandbar management in parallel with the full HCP with a goal of having an ITP prior to the winter of 2022/23.

Development of the LEHCP for sandbar management supports Strategic Plan Goal D by pursuing a necessary permit for the core function of flood prevention through Salinas River Lagoon sandbar management; Goal B by performing analysis in conjunction with the Salinas River Habitat Conservation Plan; and Goal C by leveraging grant funding to support these actions.

OTHER AGENCY INVOLVEMENT:

Agency staff has been involved in discussion with the U.S. Fish and Wildlife Service and the National Marine Fisheries Service regarding the LEHCP.

An update on Salinas River Lagoon Sandbar Management and the LEHCP was presented to the Planning Committee at the meeting on February 2, 2022.

FINANCING:

Much of the LEHCP will draw on analysis to be conducted under the full Salinas River HCP and funded through existing reimbursable grants acquired for HCP development. Remaining LEHCP development tasks will require estimated Agency funding of approximately \$45,000. Work will begin using HCP and sandbar management funds budgeted in the current fiscal year. The remaining cost will be incorporated into the upcoming fiscal year 2022/23 budget. Once completed, the LEHCP will incorporate mitigation measures designed to offset the impact of sandbar management actions on the covered species. Mitigation measures are estimated to cost between \$20,000 and \$50,000 per year during the permit term. Once identified, the cost of these mitigation measures will be identified in future Agency budgets.

Prepared by: Jason Demers, Associate Engineer, (831)755-4860

Approved by: Brent Buche, General Manager, (831) 755-4860



Monterey County

Item No.

Board Report

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

Legistar File Number: WRAG 22-028

February 22, 2022

Introduced: 2/10/2022

Current Status: Agenda Ready

Version: 1

Matter Type: WR General Agenda

Consider receiving an update on Salinas River Lagoon Sandbar Management and the Low-Effect Habitat Conservation Plan.

RECOMMENDATION:

It is recommended that the Monterey County Water Resources Agency Board of Directors:

Receive an update on Salinas River Lagoon Sandbar Management and the Low-Effect Habitat Conservation Plan.

SUMMARY/DISCUSSION:

Like many central California coastal river systems, the Salinas River is not hydrologically connected to the ocean for much of the year. A naturally occurring sandbar forms at the river mouth during periods of low streamflow creating the Salinas River Lagoon (Lagoon). Over the course of the year the sandbar can build up to be significantly higher than typical dry season Lagoon stage. When winter storms once again create natural streamflow in the Salinas River, flow is trapped behind the sandbar in the Lagoon. Because of the height of the sandbar, the Lagoon has the potential to flood low lying farmland and homes before overtopping the sandbar and flowing to the ocean.

The Agency performs sandbar management on an emergency basis to prevent flooding. Sandbar management is required in most years including 7 of the past 10. Sandbar management has the potential to result in take of federally listed species in and around the lagoon and the Agency does not have a permit to cover incidental take of any listed species.

In 1997 the Agency developed the Salinas River Lagoon Management and Enhancement Plan followed by the 2018 Salinas River Lagoon Sandbar Management Plan Project Description (a project description for an updated sandbar management plan that has yet to be developed) and the Salinas River Sandbar Management Monitoring and Reporting Plan to address concerns related to sandbar management activities related to flood prevention. The plans define criteria for managing the sandbar elevation for flood prevention and define actions to minimize the impact to sensitive species in and around the Lagoon. The existing plans provide guidance for sandbar management activities but do not constitute a current sandbar management plan or the necessary permits to protect the Agency from incidental take under the Endangered Species Act (ESA).

The proposed Salinas River Habitat Conservation Plan (HCP) will address these issues and serve as the basis for the Agency to apply for an incidental take permit (ITP) from the U.S. Fish and Wildlife Service (USFS) under the ESA. The HCP is expected to take around three years to complete.

Because of the multi-year timeline for development of the HCP, the USFWS has strongly encouraged the Agency to pursue a short-term solution to obtain an ITP for sandbar management activities while the HCP is being developed.

To meet the short-term need for an ITP, Agency staff have been working with the USFWS on a strategy to develop a Low-Effect HCP (LEHCP) to cover flood prevention sandbar management activities until the full HCP can be completed. Because of significant overlap between the proposed LEHCP and the full HCP as well as reduced regulatory requirements for LEHCPs, USFWS and Agency staff believe the LEHCP can be completed on a much shorter timeline and at a much lower cost than development of a full HCP. It is estimated that an LEHCP that only covers flood prevention sandbar management and the species directly impacted could be developed in approximately one year with much of the cost being covered under the existing HCP funding mechanisms.

Agency staff plans to continue working with our HCP consultant ICF, the USFWS, and the National Marine Fisheries Service (NMFS) to develop a LEHCP for emergency sandbar management in parallel with the full HCP with a goal of having an ITP prior to the winter of 2022/23.

Development of the LEHCP for sandbar management supports Strategic Plan Goal D by pursuing a necessary permit for the core function of flood prevention through Salinas River Lagoon sandbar management; Goal B by performing analysis in conjunction with the Salinas River Habitat Conservation Plan; and Goal C by leveraging grant funding to support these actions.

OTHER AGENCY INVOLVEMENT:

Agency staff has been involved in discussion with the U.S. Fish and Wildlife Service and the National Marine Fisheries Service regarding the LEHCP.

An update on Salinas River Lagoon Sandbar Management and the LEHCP was presented to the Planning Committee at the meeting on February 2, 2022.

FINANCING:

Much of the LEHCP will draw on analysis to be conducted under the full Salinas River HCP and funded through existing reimbursable grants acquired for HCP development. Remaining LEHCP development tasks will require estimated Agency funding of approximately \$45,000. Work will begin using HCP and sandbar management funds budgeted in the current fiscal year. The remaining cost will be incorporated into the upcoming fiscal year 2022/23 budget. Once completed, the LEHCP will incorporate mitigation measures designed to offset the impact of sandbar management actions on the covered species. Mitigation measures are estimated to cost between \$20,000 and \$50,000 per year during the permit term. Once identified, the cost of these mitigation measures will be identified in future Agency budgets.

Prepared by: Jason Demers, Associate Engineer, (831)755-4860

Approved by: Brent Buche, General Manager, (831) 755-4860



Before the Board of Directors of the Monterey County Water Resources Agency

County of Monterey, State of California

BOARD ORDER No.

**CONSIDER RECEIVING AN UPDATE ON SALINAS)
RIVER LAGOON SANDBAR MANAGEMENT AND)
THE LOW-EFFECT HABITAT CONSERVATION PLAN)**

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

Receives an update on Salinas River Lagoon Sandbar Management and the Low-Effect Habitat Conservation Plan.

PASSED AND ADOPTED on this **22nd day of February 2022** by the following vote, to-wit:

AYES:

NOES:

ABSENT:

BY: John Baillie, Chair
Board of Directors

ATTEST: Brent Buche
General Manager



Monterey County

Item No.9

Board Report

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

Legistar File Number: WRAG 22-021

February 22, 2022

Introduced: 2/10/2022

Current Status: Draft

Version: 1

Matter Type: WR General Agenda

February, March and April 2022 Calendars

February 2022

February 2022

| Su | Mo | Tu | We | Th | Fr | Sa |
|----|----|----|----|----|----|----|
| | | 1 | 2 | 3 | 4 | 5 |
| 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| 13 | 14 | 15 | 16 | 17 | 18 | 19 |
| 20 | 21 | 22 | 23 | 24 | 25 | 26 |
| 27 | 28 | | | | | |

March 2022

| Su | Mo | Tu | We | Th | Fr | Sa |
|----|----|----|----|----|----|----|
| | | 1 | 2 | 3 | 4 | 5 |
| 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| 13 | 14 | 15 | 16 | 17 | 18 | 19 |
| 20 | 21 | 22 | 23 | 24 | 25 | 26 |
| 27 | 28 | 29 | 30 | 31 | | |

| SUNDAY | MONDAY | TUESDAY | WEDNESDAY | THURSDAY | FRIDAY | SATURDAY |
|--------|--------|---|--|--|---|----------|
| Jan 30 | 31 | Feb 1 | 2 8:30am BMAC Committee 10:00am Planning Committee | 3 | 4 8:30am Personnel & Admin. Committee 10:00am Finance Committee (1441 Schilling Pl., Salinas) | 5 |
| 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| 13 | 14 | 15 | 16 | 17 | 18 | 19 |
| 20 | 21 | 22 Board of Directors Meeting (BOS Chambers, 168 w. Alisal) - 930-Board of Directors | 23 | 24 1:30pm Reservoir Operations Advisory Committee (Saffron Room) - 930-Board of Directors | 25 | 26 |
| 27 | 28 | Mar 1 | 2 | 3 | 4 | 5 |

March 2022

| March 2022 | | | | | | | April 2022 | | | | | | |
|------------|----|----|----|----|----|----|------------|----|----|----|----|----|----|
| Su | Mo | Tu | We | Th | Fr | Sa | Su | Mo | Tu | We | Th | Fr | Sa |
| | | 1 | 2 | 3 | 4 | 5 | | | | | | 1 | 2 |
| 6 | 7 | 8 | 9 | 10 | 11 | 12 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| 13 | 14 | 15 | 16 | 17 | 18 | 19 | 10 | 11 | 12 | 13 | 14 | 15 | 16 |
| 20 | 21 | 22 | 23 | 24 | 25 | 26 | 17 | 18 | 19 | 20 | 21 | 22 | 23 |
| 27 | 28 | 29 | 30 | 31 | | | 24 | 25 | 26 | 27 | 28 | 29 | 30 |

| SUNDAY | MONDAY | TUESDAY | WEDNESDAY | THURSDAY | FRIDAY | SATURDAY |
|--------|---|---------|--|--|---|----------|
| Feb 27 | 28 | Mar 1 | 2 8:30am BMAC Committee 10:00am Planning Committee | 3 | 4 8:30am Personnel & Admin. Committee 10:00am Finance Committee (1441 Schilling Pl., Salinas) | 5 |
| 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| 13 | 14 | 15 | 16 | 17 | 18 | 19 |
| 20 | 21 Board of Directors Meeting (BOS Chambers, 168 w. Alisal) - 930-Board of Directors | 22 | 23 | 24 | 25 | 26 |
| 27 | 28 | 29 | 30 | 31 1:30pm Reservoir Operations Advisory Committee (Saffron Room) - 930-Board of Directors | Apr 1 | 2 |

April 2022

| April 2022 | | | | | | | May 2022 | | | | | | |
|------------|----|----|----|----|----|-----|----------|----|----|----|----|----|----|
| Su | Mo | Tu | We | Th | Fr | Sa | Su | Mo | Tu | We | Th | Fr | Sa |
| | | | | | | 1 2 | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 3 | 4 | 5 | 6 | 7 | 8 | 9 | 8 | 9 | 10 | 11 | 12 | 13 | 14 |
| 10 | 11 | 12 | 13 | 14 | 15 | 16 | 15 | 16 | 17 | 18 | 19 | 20 | 21 |
| 17 | 18 | 19 | 20 | 21 | 22 | 23 | 22 | 23 | 24 | 25 | 26 | 27 | 28 |
| 24 | 25 | 26 | 27 | 28 | 29 | 30 | 29 | 30 | 31 | | | | |

| SUNDAY | MONDAY | TUESDAY | WEDNESDAY | THURSDAY | FRIDAY | SATURDAY |
|--------|---|---------|---|---|---|----------|
| Mar 27 | 28 | 29 | 30 | 31 | Apr 1 8:30am Personnel & Admin. Committee 10:00am Finance Committee (1441 Schilling Pl., Salinas) | 2 |
| 3 | 4 | 5 | 6 8:30am BMAC Committee 10:00am Planning Committee | 7 | 8 | 9 |
| 10 | 11 | 12 | 13 | 14 | 15 | 16 |
| 17 | 18 Board of Directors Meeting - 930-Board of Directors | 19 | 20 | 21 | 22 | 23 |
| 24 | 25 | 26 | 27 | 28 1:30pm Reservoir Operations Advisory Committee (Saffron Room) - 930-Board of Directors | 29 | 30 |



Monterey County

Item No.10

Board Report

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

Legistar File Number: WRAG 22-022

February 22, 2022

Introduced: 2/10/2022

Current Status: Draft

Version: 1

Matter Type: WR General Agenda

- COVID-19 Update
- Personnel Update
- Prop. 1 Grant Update
- Pajaro Update
- Salinas River Update
- Other



Monterey County

Item No.11

Board Report

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

Legistar File Number: WRAG 22-023

February 22, 2022

Introduced: 2/10/2022

Current Status: Draft

Version: 1

Matter Type: WR General Agenda

Information Items:

1. Reservoir Storage and Release Update
2. Well Permit Applications Update
3. Quarterly Conditions Report

Reservoir Storage & Release Update

SUMMARY/DISCUSSION:

The Board of Directors receives monthly updates on the status of Agency reservoirs.

RESERVOIR ELEVATION / STORAGE: As of February 9, 2022, San Antonio Reservoir has a water surface elevation of approximately 681.3 feet (NGVD 29), with 37,845 acre-feet of storage. Nacimiento Reservoir has a water surface elevation of approximately 736.8 feet, with 110,200 acre-feet of storage. San Antonio Reservoir is currently at 11% of storage capacity and Nacimiento Reservoir is at 29% of capacity.

RESERVOIR RELEASES: The Agency continues to release approximately 60 cfs from Nacimiento Reservoir and 10 cfs from San Antonio Reservoir to support fish habitat below the dams.

The Salinas River Lagoon has been open to the ocean since December 27, 2021 and the Salinas River continued to flow through the Spreckels stream gage site until January 5, 2022. There is currently no flow at the stream gage.

Minor deviations in release rates are not presented in this report but are documented in the Salinas Valley Water Project Annual Flow Reports.

Releases as of February 9, 2022:

- Nacimiento Reservoir: 65 cfs
- San Antonio Reservoir: 10 cfs

Total releases from both reservoirs to the Salinas River are approximately 67 cfs. The following “provisional” flows have been recorded by the USGS:

- Salinas River near Bradley: 79 cfs
- Salinas River at Soledad: 0 cfs
- Salinas River near Chualar: 0 cfs
- Salinas River near Spreckels: 0 cfs

Prepared by: Peter Kwiek, Associate Hydrologist (831) 755-4860

Well Permit Application Activities Update

SUMMARY/DISCUSSION:

In support of Monterey County's Well Permit Application Program the Agency acts as technical advisor to the program's lead agency, the Environmental Health Bureau (EHB). In accordance with a 1991 interdepartmental Memorandum of Agreement between the Agency and EHB, the Agency performs a comprehensive review process on well permit applications for new wells pumping five acre-feet of water or more per year, as well as for proposed well destructions and repairs.

The Agency provides review and/or advisement to EHB within five (5) business days of receiving new well permit applications. The Agency also reviews final well designs and annular seal depth proposals on an on-going basis and is committed to providing a response to EHB within twenty-four (24) hours of receiving design proposals.

The Agency receives funds that cover staff time for well application review, well completion report processing, and database maintenance from fees collected by EHB. The Agency's fees are defined in Article XI of the Monterey County Fee Resolution.

Table 1 (attached) provides a summation of well permit applications received in the last month for evaluation by Agency staff, categorized by permit type, Agency management area, and aquifer unit. Also included is a tabulation of new well applications reviewed for the fiscal year. This table is provided to the Board of Directors and Basin Management Advisory Committee on a monthly basis.

Publication of the Agency's Report, "Recommendations To Address the Expansion of Seawater Intrusion in the Salinas Valley Groundwater Basin (October, 2017) and subsequent adoption of Interim Urgency Ordinance 5302 and Ordinance 5303 by the Monterey County Board of Supervisors (May 22, 2018 and June 26, 2018, respectively) have led to increased interest in data related to wells in and extractions from the Deep Aquifers (Figure 1).

Figure 2 depicts the history of well installation in the Deep Aquifers by water use category. As illustrated in the chart, a total of fifty-seven (57) wells have been installed in the Deep Aquifers since 1974, with twenty-two (22) of those wells being constructed in the last ten years, including ten (10) within the last three years. Figure 2 includes a tabular historical summary of reported annual Deep Aquifer well extractions by water use category.

Three (3) additional permit applications have been submitted for new Deep Aquifers wells but construction has not been completed as of the date of this report. The proposed wells were applied for as replacement wells after the expiration of Ordinance No. 5302, which expired on May 21, 2020.

OTHER AGENCY INVOLVEMENT:

None

FINANCING:

None

Prepared by: Nicole Koerth, Hydrologist, (831) 755-4860
Amy Woodrow, Hydrologist, (831) 755-4860
Tamara Voss, Associate Hydrologist (831) 755-4860
Shaunna Murray, Senior Water Resources Engineer, (831) 755-4860

Attachments:

Table 1 - Summary of Well Permits Received

Figure 1- Map showing Deep Aquifer Wells

Figure 2 - Timeline of Well Installation in the Deep Aquifers with Summary of Deep Aquifer Groundwater Extractions

Well Permits for January 2022

Permit Type

- Construction-Agricultural
- △ Construction-Domestic
- ⊕ Construction-Other
- Destruction
- ◇ Other
- ⬠ Repair

Subarea

- 180-Ft Aquifer
- 400-Ft Aquifer
- Deep Aquifers
- East Side
- Forebay
- Upper Valley
- Outside Zone 2C or defined GW Basin
- Permit Applications in Fiscal Year 21/22
- Zone 2C
- CA 118 Grounwater basins in Monterey County

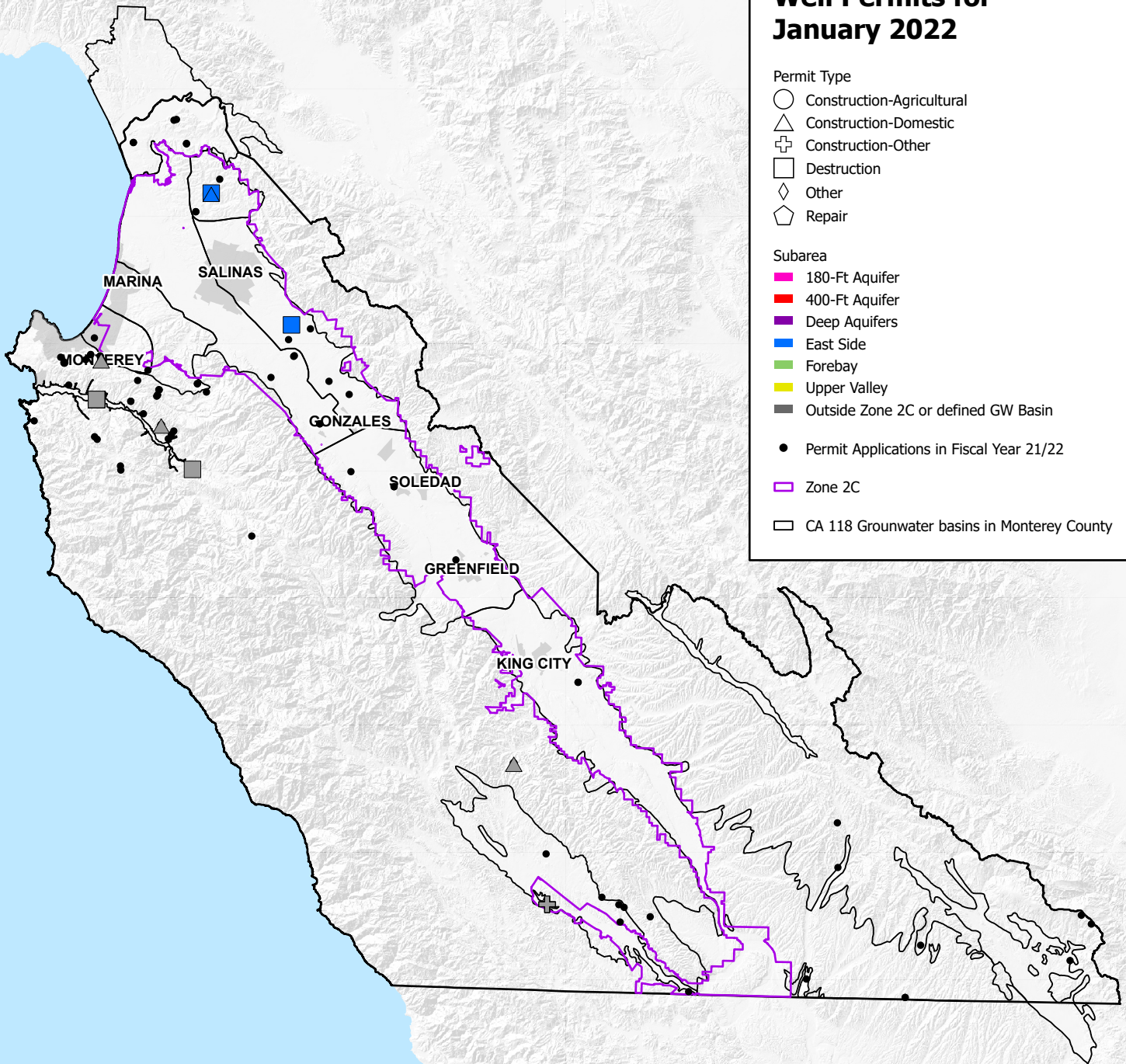


Table 1. Well Permit Applications Received by Category - January, 2022

| Subarea/ Aquifer | Construction | Destruction | Repair | Other | Total | FY (21/22) Total |
|--|--------------|-------------|--------|-------|-----------|------------------|
| 180-Ft Aquifer | | | | | | 2 |
| 400-Ft Aquifer | | | | | | 1 |
| Deep Aquifers | | | | | | 0 |
| East Side | 1 | 2 | | | 3 | 13 |
| Forebay | | | | | | 4 |
| Upper Valley | | | | | | 2 |
| Outside Zone 2C, Undefined GW Basin | 6 | 4 | | | 10 | 66 |
| Total | 7 | 6 | | | 13 | 88 |

Figure 1

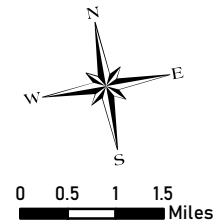
Legend

Deep Aquifer Wells

By Use, Labeled by Year
Constructed

- Agricultural
- Municipal
- Industrial
- Domestic
- Monitoring

Area of Impact



Monterey County
Water Resources Agency

Date: 2/7/2022

4 Monitoring Wells
constructed in 2000

2 Monitoring Wells
constructed in 2005

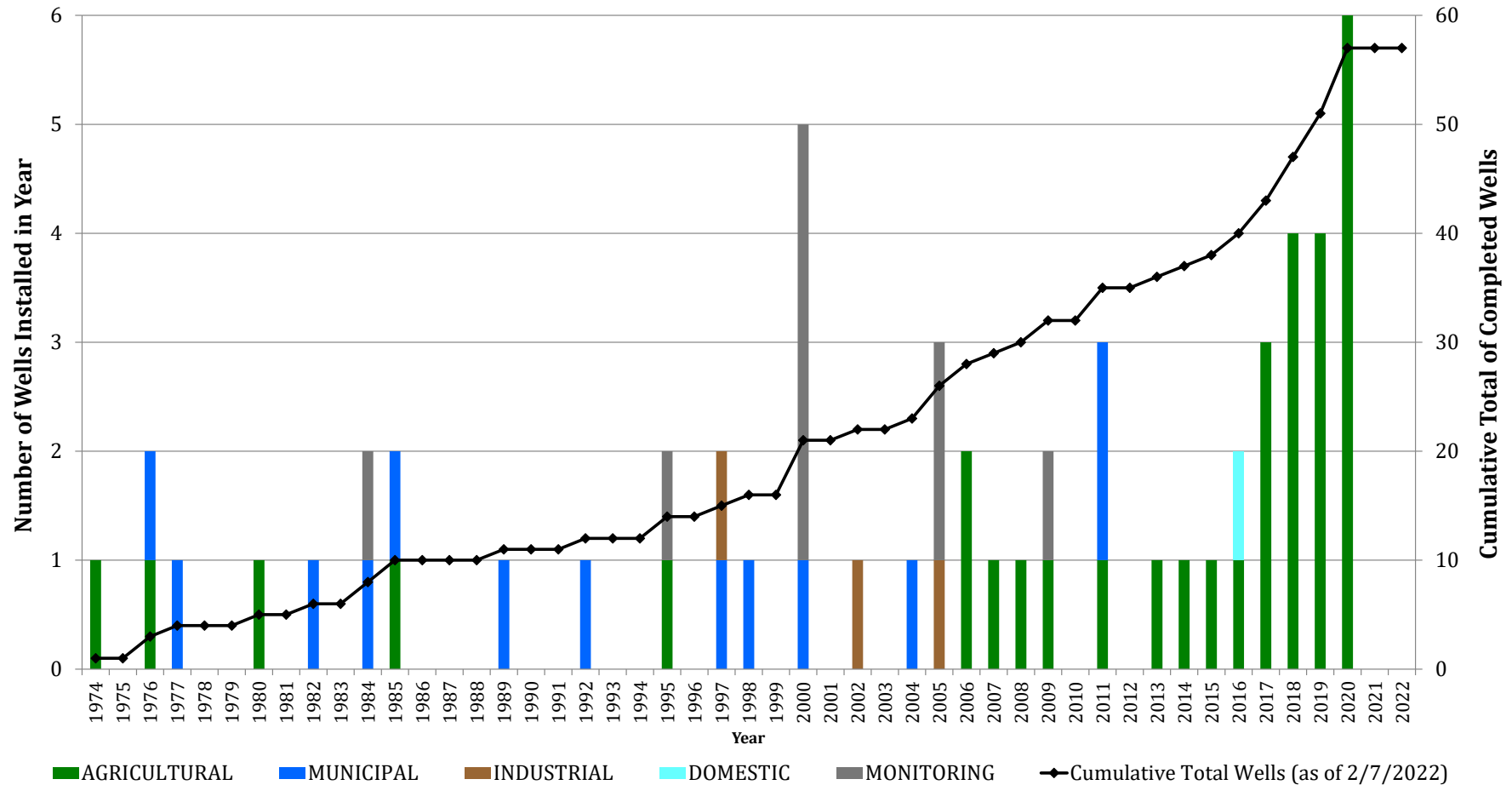
2 Municipal Wells
constructed in 1998 and 2000



Source: MCWRA
Date: 2/7/2022

Figure 2

Timeline of Well Installation in Deep Aquifers of the 180/400 Foot Aquifer Subbasin



Deep Aquifers Groundwater Extraction History Since 1993*

| 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|--------|
| 2,054 | 1,992 | 2,036 | 2,137 | 2,170 | 1,906 | 2,056 | 2,302 | 2,355 | 2,399 | 2,366 | 2,442 | 2,358 | 2,005 | 1,738 | 2,004 | 2,102 | 1,903 | 1,803 | 2,044 | 1,989 | 3,784 | 3,746 | 3,788 | 4,116 | 4,605 | 4,820 | 4,263 |
| 1,507 | 2,620 | 2,302 | 1,990 | 2,556 | 1,648 | 96 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 58 | 384 | 696 | 982 | 927 | 1,397 | 1,097 | 2,031 | 2,010 | 4,194 | 4,834 | 4,749 | 5,331 | 6,996 |
| 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3 | 13 | 17 | 379 | 305 | 343 | 336 | 393 | 371 | 348 | 333 | 370 | 380 | 523 | 620 | 617 | 569 | 567 | 291 | 196 | 84 |
| 3,561 | 4,612 | 4,338 | 4,127 | 4,725 | 3,554 | 2,151 | 2,307 | 2,368 | 2,416 | 2,745 | 2,747 | 2,701 | 2,341 | 2,189 | 2,759 | 3,146 | 3,218 | 3,100 | 3,821 | 3,608 | 6,436 | 6,373 | 8,551 | 9,516 | 9,645 | 10,347 | 11,344 |

* Notes: Table includes all reported extraction data for the thirty-four (34) Deep Aquifer production wells that have reported extractions since inception of the Agency's GEMS program in 1993. Data are reported in acre-feet. Colors denote water use category (Municipal, Agricultural, Industrial). An additional nine (9) recently constructed Deep Aquifers Agricultural production wells have yet to report extractions as of Reporting Year 2020.

Receive a Report on Salinas Valley Water Conditions for the First Quarter of Water Year 2021-2022

SUMMARY/DISCUSSION:

Groundwater level data provides insight on how an aquifer or subarea responds to hydrologic conditions, such as precipitation and reservoir releases, over time. A one-year comparison can show the short-term effects of a single wet or dry year while a long-term comparison will help provide information on general trends in groundwater storage. Subareas or aquifers will respond differently to these hydrologic conditions. For example, groundwater levels in shallower aquifers may respond quicker to a wet season while aquifers that are deeper or more depleted may take longer for groundwater levels to respond and recover.

This report covers the first quarter of Water Year 2021-2022 (WY22), October through December 2021. It provides a brief overview and discussion of hydrologic conditions in the Salinas Valley including precipitation, reservoir storage and groundwater level trends.

Precipitation – Preliminary National Weather Service rainfall data indicates that the first quarter of WY22 brought above normal rainfall to Salinas and King City. Totals for the quarter were 6.11 inches (154% of normal rainfall of 3.98 inches for the quarter) at the Salinas Airport, and 5.37 inches (150% of normal rainfall of 3.57 inches for the quarter) in King City.

Attachment B contains graphs for both stations showing monthly and cumulative precipitation data for the current and a “normal” water year, based on long-term monthly precipitation averages. Attachment B also includes tables showing values for precipitation totals as well as percent of “normal” precipitation.

Reservoirs - The following table compares first quarter storage at Nacimiento and San Antonio reservoirs for the past two years. Storage in Nacimiento Reservoir is 21,155 acre-feet higher than in December 2020, and storage in San Antonio Reservoir is 20,853 acre-feet lower.

| Reservoir | December 31, 2021 (WY22) Storage in acre-feet | December 31, 2020 (WY21) Storage in acre-feet | Difference in acre-feet |
|------------------|--|--|------------------------------------|
| Nacimiento | 105,115 | 83,960 | 21,155 |
| San Antonio | 32,415 | 53,268 | -20,853 |

Graphs showing daily reservoir storage for the last five water years along with 30-year average daily storage for comparison are included as Attachments C and D.

Groundwater Levels – More than 100 wells are measured monthly throughout the Salinas Valley to monitor seasonal groundwater level fluctuations. Data from approximately 50 of these wells are used in the preparation of this report. Attachment A shows the location of monthly measured wells and highlights the wells used to prepare this report. The measurements are categorized by hydrologic subarea, averaged, and graphed to compare current water levels (WY22) with selected past conditions. Graphs for individual subareas, showing the current year’s water level conditions,

last year's conditions (WY21) and dry conditions (WY15) are found in Attachments E through J. For comparison to long term conditions, a curve showing monthly water levels averaged over the most recent 30 years (WY1992-WY2021) is included on each graph, except for Attachment G, Deep Aquifers which lack a sufficient period of record to make that comparison. Attachment K is a summary of water level changes for all subareas.

180-Foot Aquifer: Over the last quarter, groundwater levels rose nine feet in the 180-Foot Aquifer. Groundwater levels are down two feet compared to December 2020 levels and down six from the 30-year average. Attachment E shows monthly groundwater trends for the 180-Foot Aquifer.

400-Foot Aquifer: Over the last quarter, groundwater elevations increased fifteen feet in the 400-Foot Aquifer. Groundwater levels are down one foot compared to December 2020 and down three feet from the 30-year average. Attachment F shows monthly groundwater trends for the 400-Foot Aquifer.

Deep Aquifers: Over the last quarter, groundwater elevations increased fourteen feet in the Deep Aquifers. Groundwater levels are up less than one foot compared to December 2020. Attachment G shows monthly groundwater trends for the Deep Aquifers. Given the shorter period of record in the wells used, a 30-year average cannot be calculated. To represent the long-term trends in the Deep Aquifers, Attachment G also includes a 30-year time series graph with groundwater level data from the eleven wells to show the seasonal and long-term trends in these wells.

East Side Subarea: East Side groundwater levels increased thirty-four feet over the last quarter. Groundwater levels are down less than one foot from December 2020 levels and down eleven feet from the 30-year average. The East Side is the only subarea whose groundwater levels during the first quarter of WY22 remain below to what they were in WY15 (dry conditions). Attachment H shows monthly groundwater trends for the East Side Subarea.

Forebay Subarea: Over the last quarter, groundwater levels have increased three feet in the Forebay. Groundwater levels are down three feet from December 2021 levels and are down four feet from the 30-year average. Attachment I shows monthly groundwater trends for the Forebay Subarea.

Upper Valley Subarea: Upper Valley groundwater levels have increased three feet over the last quarter. Groundwater levels are equal to December 2021 levels and down one foot from the 30-year average. Attachment J shows monthly groundwater trends for the Upper Valley Subarea.

OTHER AGENCY INVOLVEMENT:

None

FINANCING:

Funds 113, 114, 115, 116

Prepared by: Shaunna Murray, Senior Water Resources Engineer, (831) 755-4860
Tamara Voss, Associate Hydrologist, (831)755-4860

Amy Woodrow, Hydrologist (831) 755-4860
Nicole Koerth, Hydrologist (831) 755-4860
April Woods, Water Resource Technician (831) 755-4860

Approved by: _____
Brent Buche, General Manager, (831) 755-4860

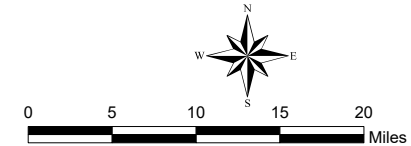
Attachments:

1. Attachment A, Salinas Valley Hydrologic Subareas Map
2. Attachment B, Salinas and King City Precipitation Graphs
3. Attachment C, Nacimiento Reservoir Graph
4. Attachment D, San Antonio Reservoir Graph
5. Attachment E, Groundwater Trends 180-Foot Aquifer
6. Attachment F, Groundwater Trends 400-Foot Aquifer
7. Attachment G, Groundwater Trends Deep Aquifers
8. Attachment H, Groundwater Trends East Side Subarea
9. Attachment I, Groundwater Trends Forebay Subarea
10. Attachment J, Groundwater Trends Upper Valley Subarea
11. Attachment K, Groundwater Trends Summary

SALINAS RIVER GROUNDWATER BASIN HYDROLOGIC SUBAREAS

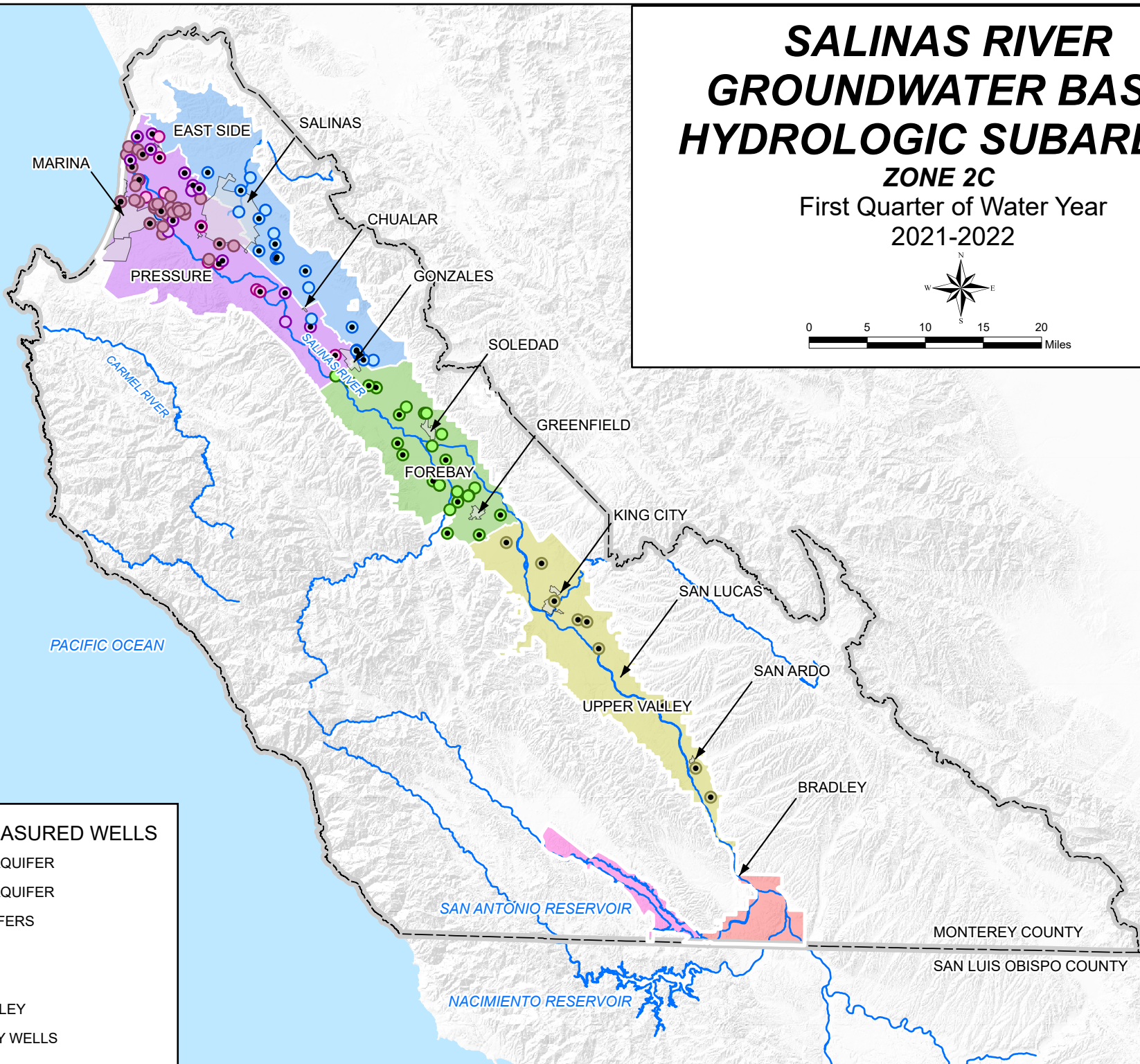
ZONE 2C

First Quarter of Water Year
2021-2022

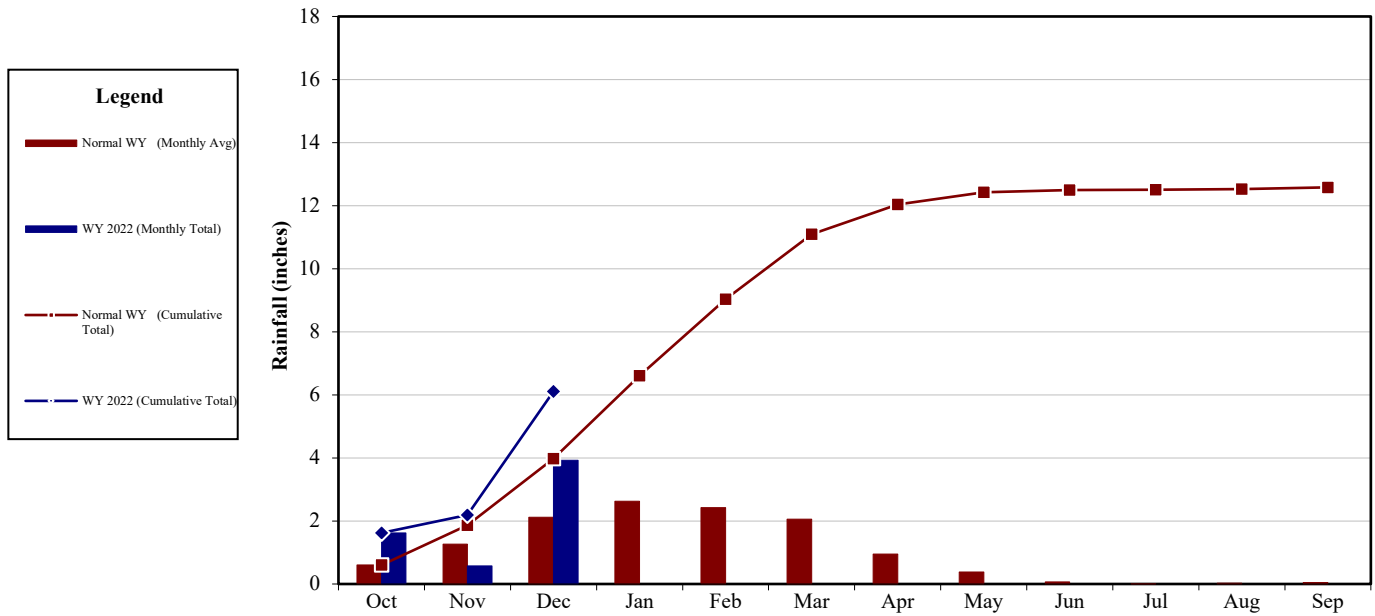


MONTHLY MEASURED WELLS

- 180-FOOT AQUIFER
- 400-FOOT AQUIFER
- DEEP AQUIFERS
- EAST SIDE
- FOREBAY
- UPPER VALLEY
- QUARTERLY WELLS

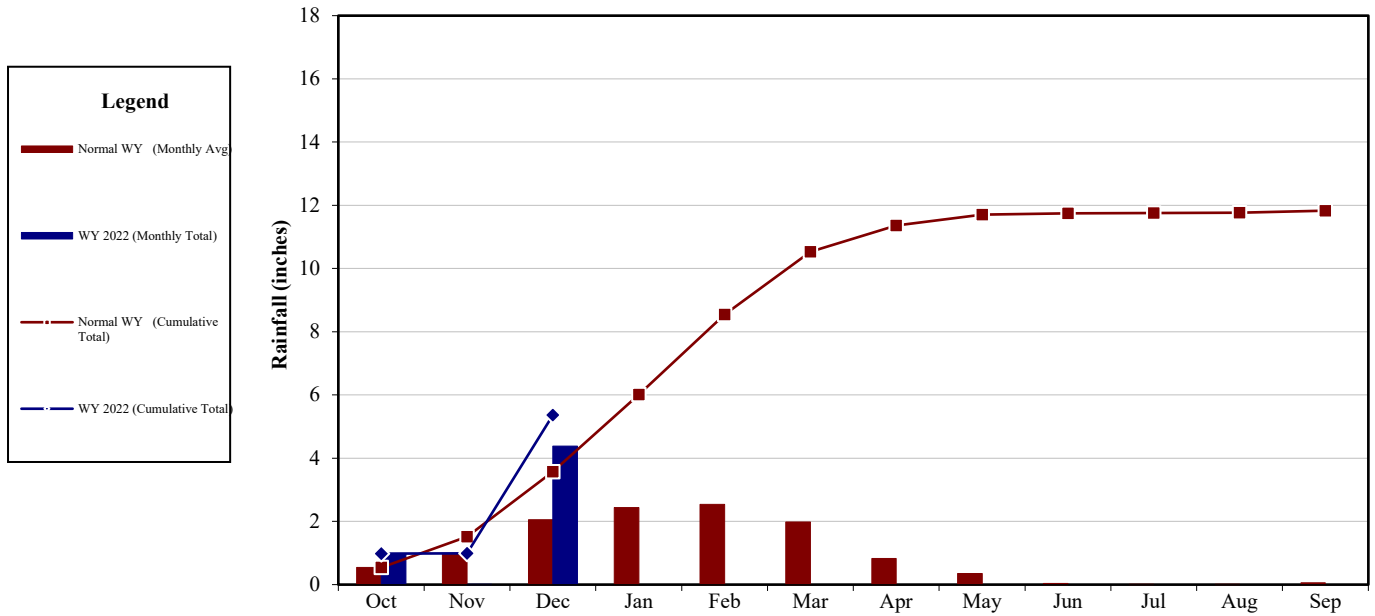


SALINAS AIRPORT RAINFALL WATER YEAR 2022



| | | | | | | | | | | | | |
|----------------------------------|------|------|------|------|------|-------|-------|-------|-------|-------|-------|-------|
| Monthly Rainfall (WY 2022) | 1.62 | 0.57 | 3.92 | | | | | | | | | |
| Monthly Rainfall (Normal WY*) | 0.60 | 1.26 | 2.12 | 2.63 | 2.42 | 2.06 | 0.95 | 0.38 | 0.07 | 0.01 | 0.03 | 0.05 |
| Percent of Normal for Month | 270% | 45% | 185% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| Cumulative Rainfall (WY 2022) | 1.62 | 2.19 | 6.11 | | | | | | | | | |
| Cumulative Rainfall (Normal WY*) | 0.60 | 1.86 | 3.98 | 6.61 | 9.03 | 11.09 | 12.04 | 12.42 | 12.49 | 12.50 | 12.53 | 12.58 |
| Percent of Cumulative Normal | 270% | 118% | 154% | | | | | | | | | |

KING CITY RAINFALL WATER YEAR 2022

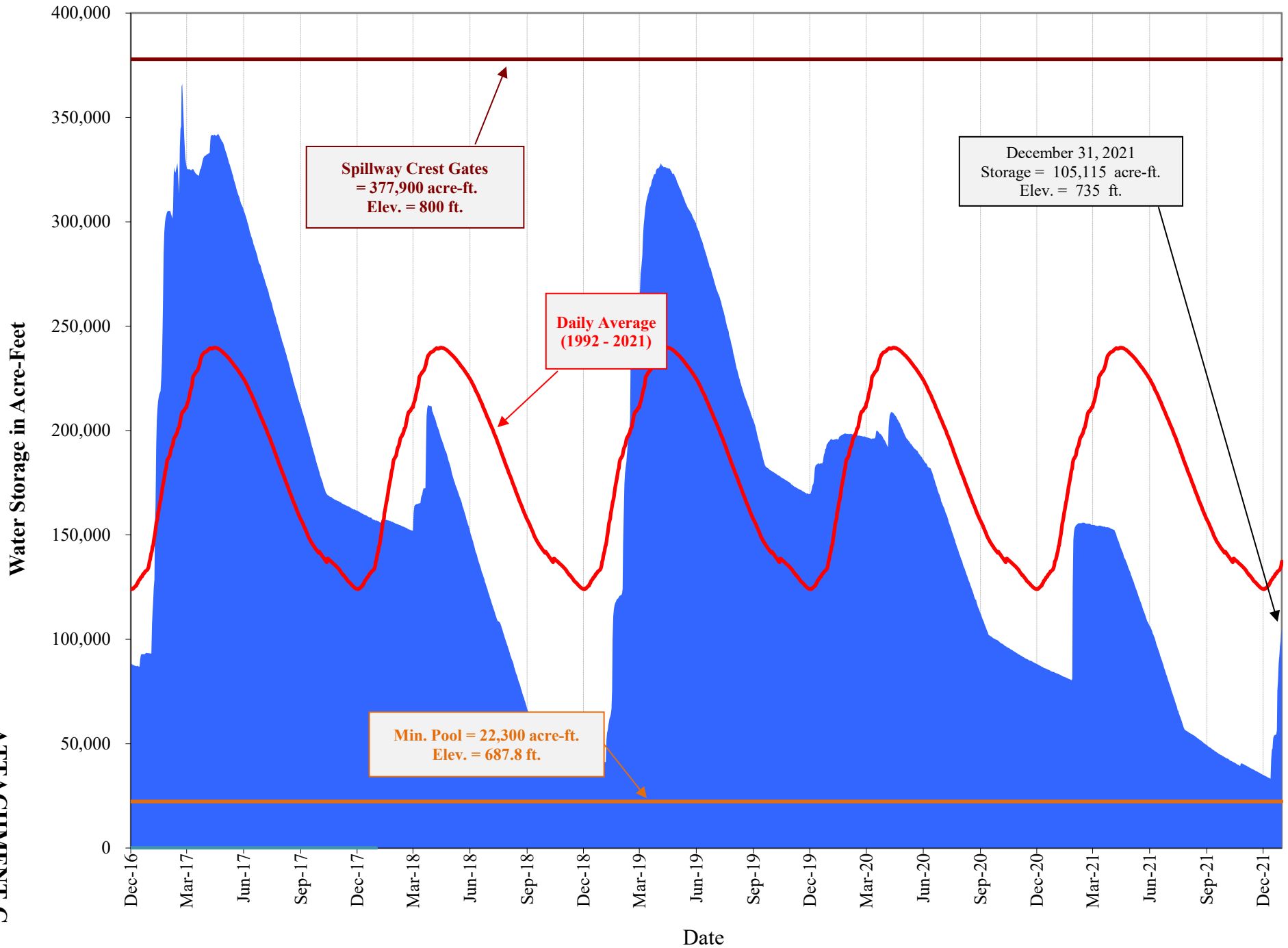


| | | | | | | | | | | | | |
|----------------------------------|------|------|------|------|------|-------|-------|-------|-------|-------|-------|-------|
| Monthly Rainfall (WY 2022) | 0.98 | 0.01 | 4.38 | | | | | | | | | |
| Monthly Rainfall (Normal WY*) | 0.54 | 0.98 | 2.05 | 2.44 | 2.54 | 1.98 | 0.83 | 0.35 | 0.04 | 0.01 | 0.01 | 0.06 |
| Percent of Normal for Month | 181% | 1% | 214% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| Cumulative Rainfall (WY 2022) | 0.98 | 0.99 | 5.37 | | | | | | | | | |
| Cumulative Rainfall (Normal WY*) | 0.54 | 1.52 | 3.57 | 6.01 | 8.55 | 10.53 | 11.36 | 11.71 | 11.75 | 11.76 | 11.77 | 11.83 |
| Percent of Cumulative Normal | 181% | 65% | 150% | | | | | | | | | |

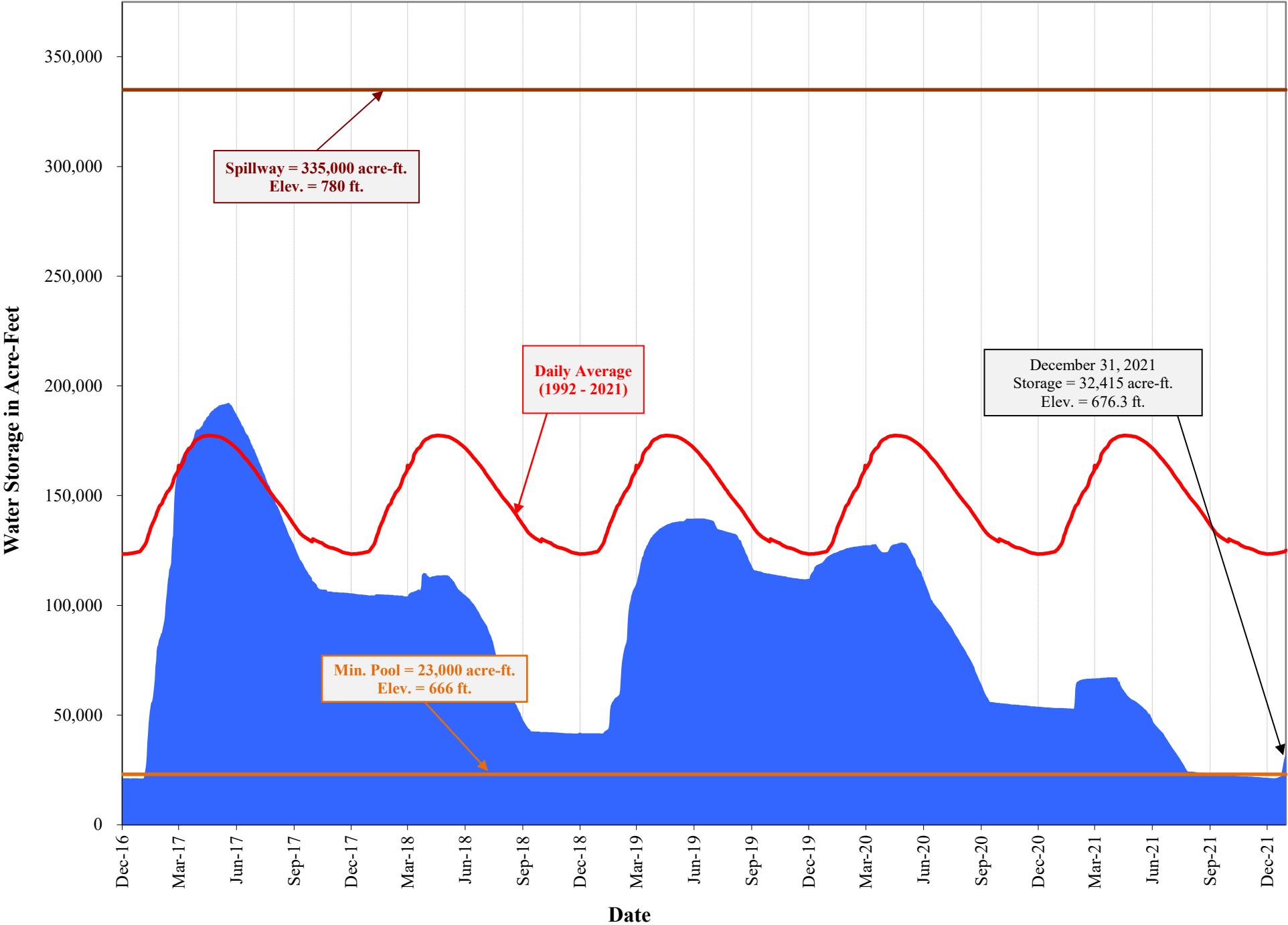
*Average precipitation over the most recent 30-year period ending in a decade (1991-2020)

ATTACHMENT B

NACIMIENTO RESERVOIR DAILY STORAGE



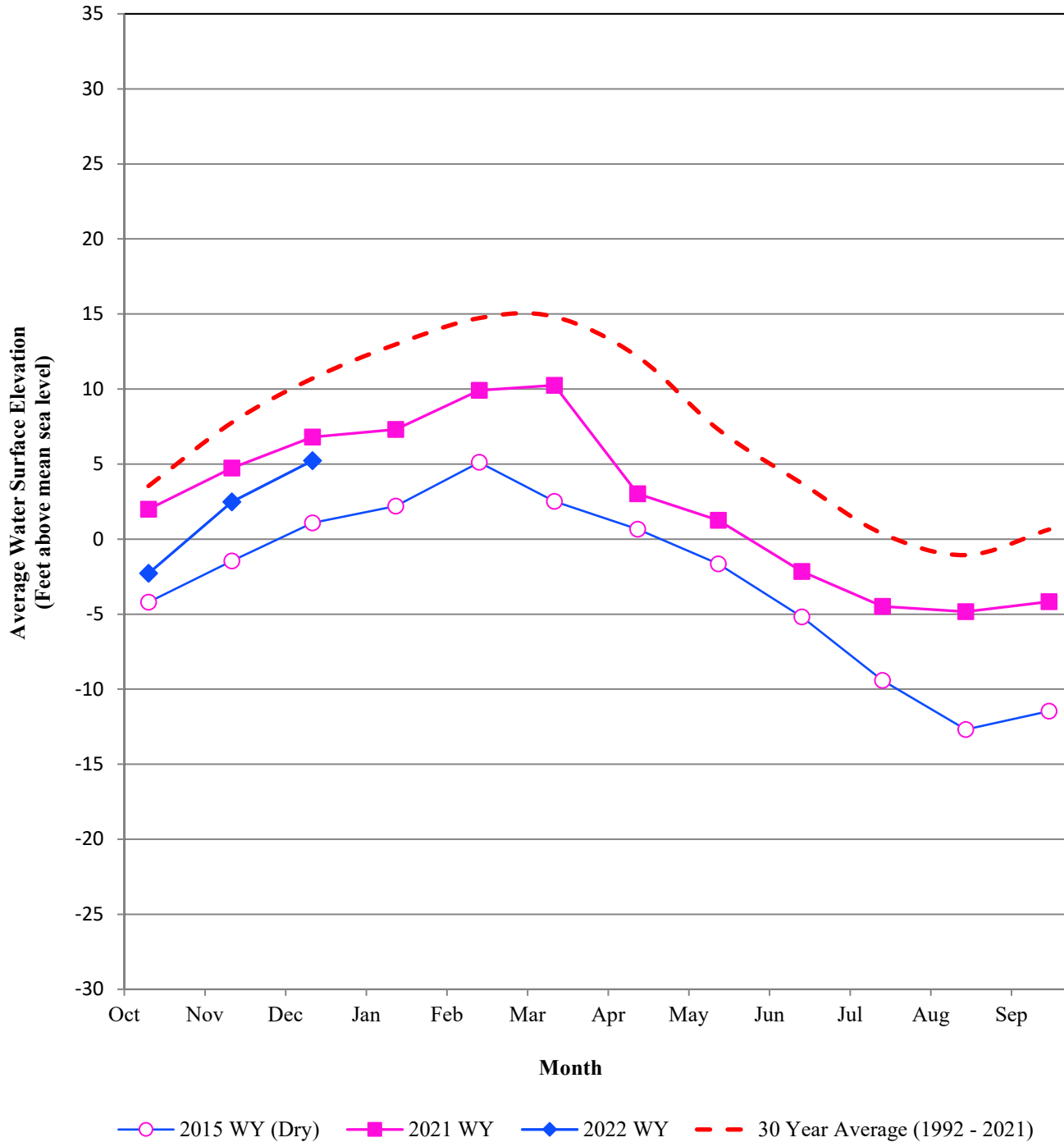
SAN ANTONIO RESERVOIR DAILY STORAGE



GROUNDWATER TRENDS

180-FOOT AQUIFER

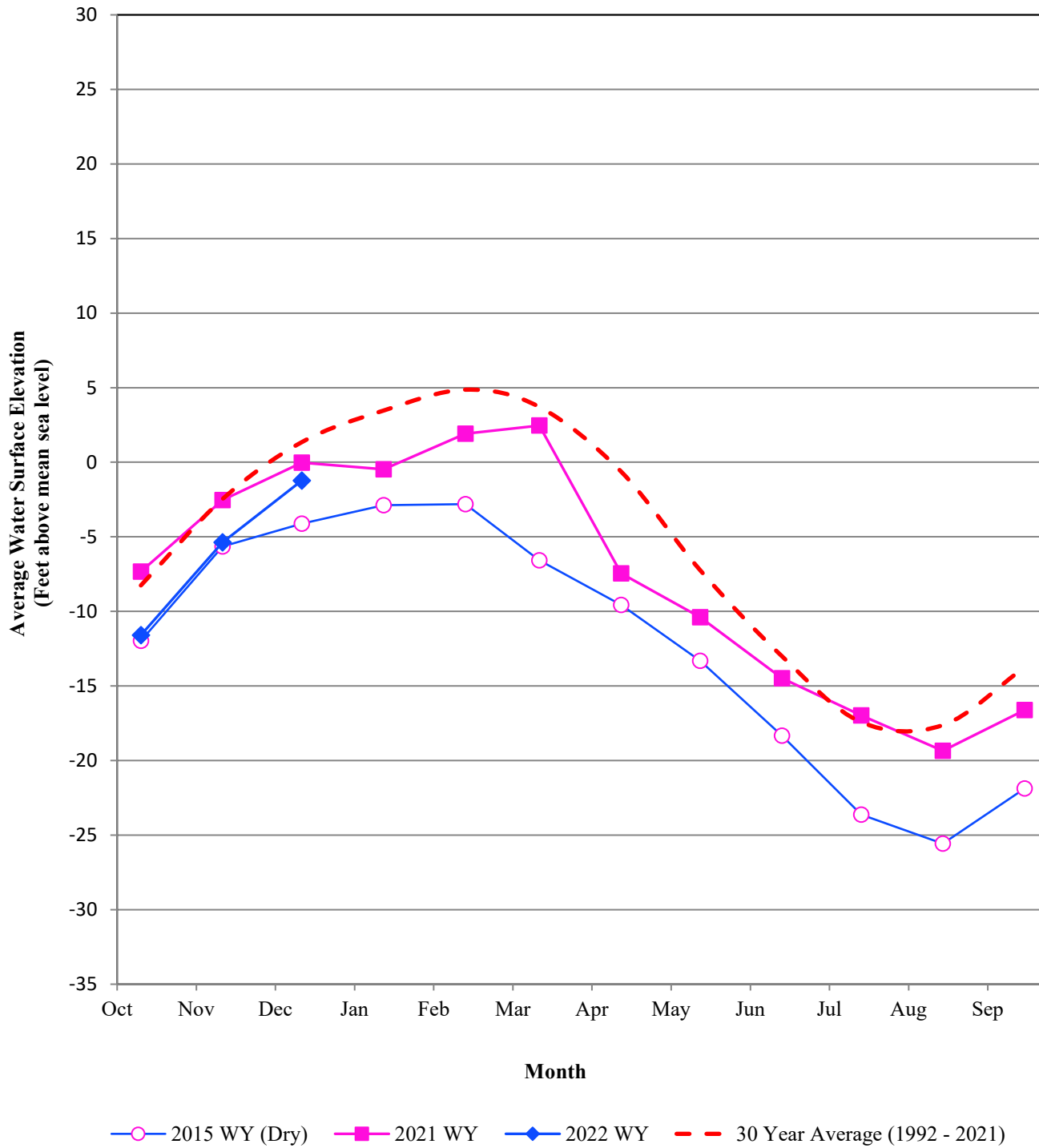
8 Wells



GROUNDWATER TRENDS

400-FOOT AQUIFER

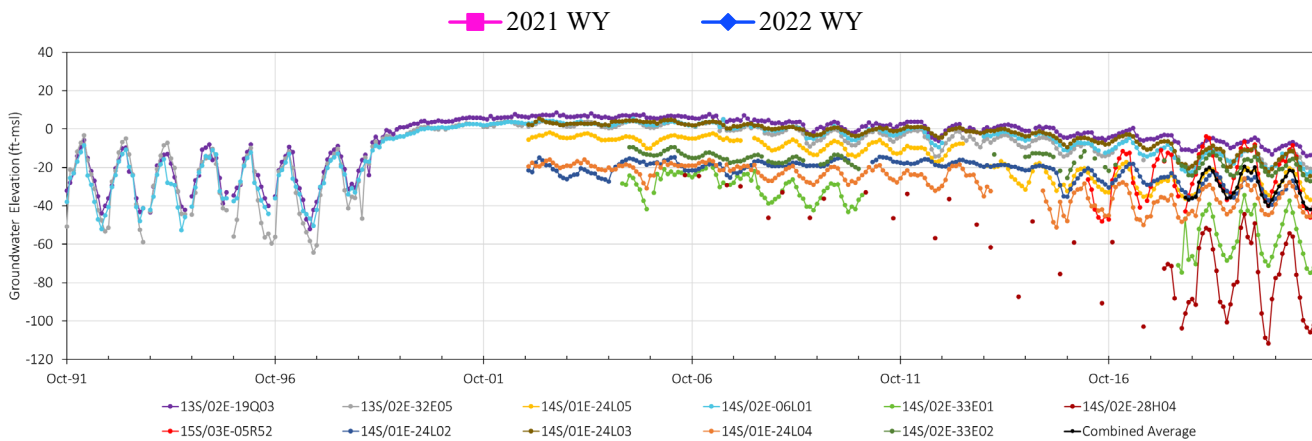
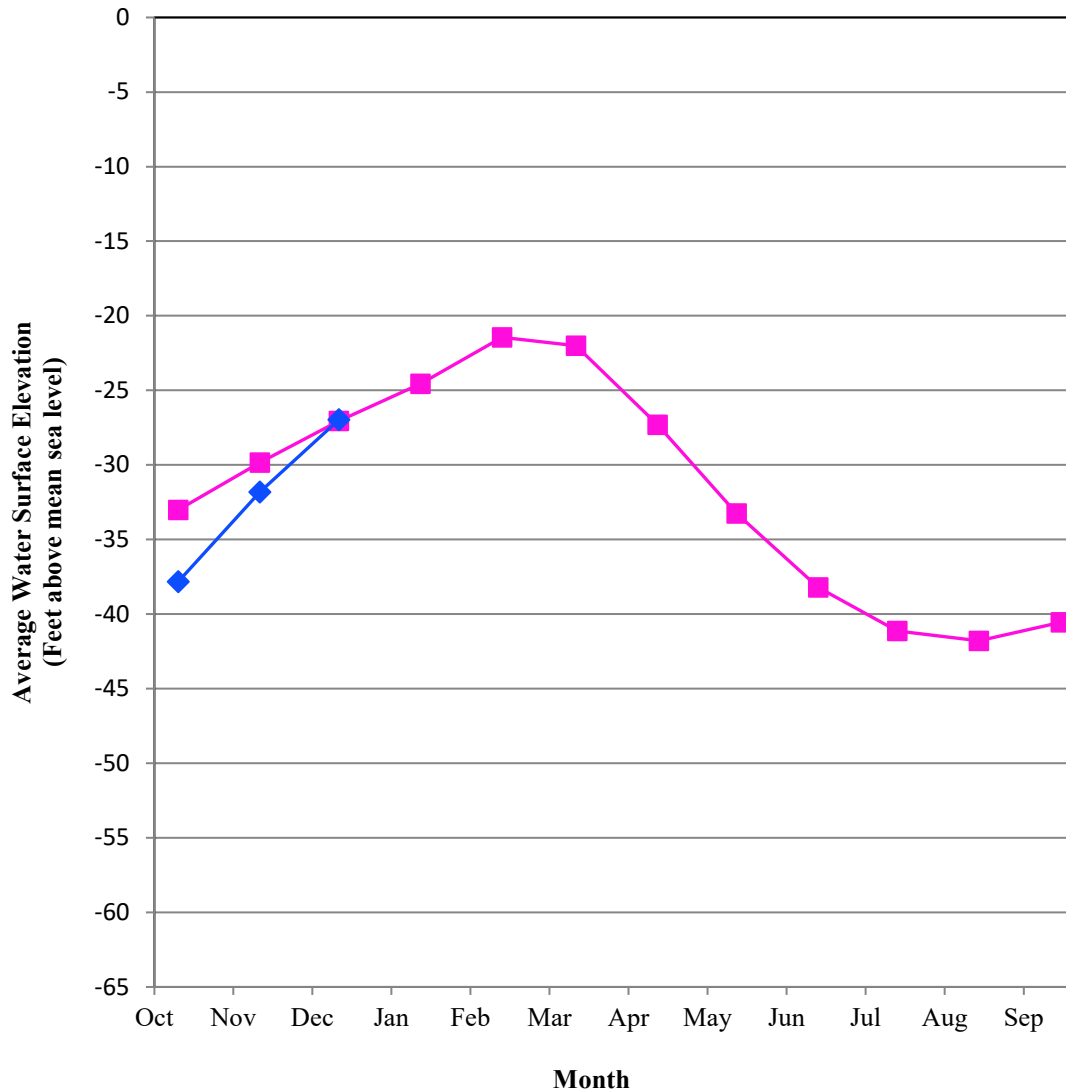
12 Wells



GROUNDWATER TRENDS

DEEP AQUIFERS

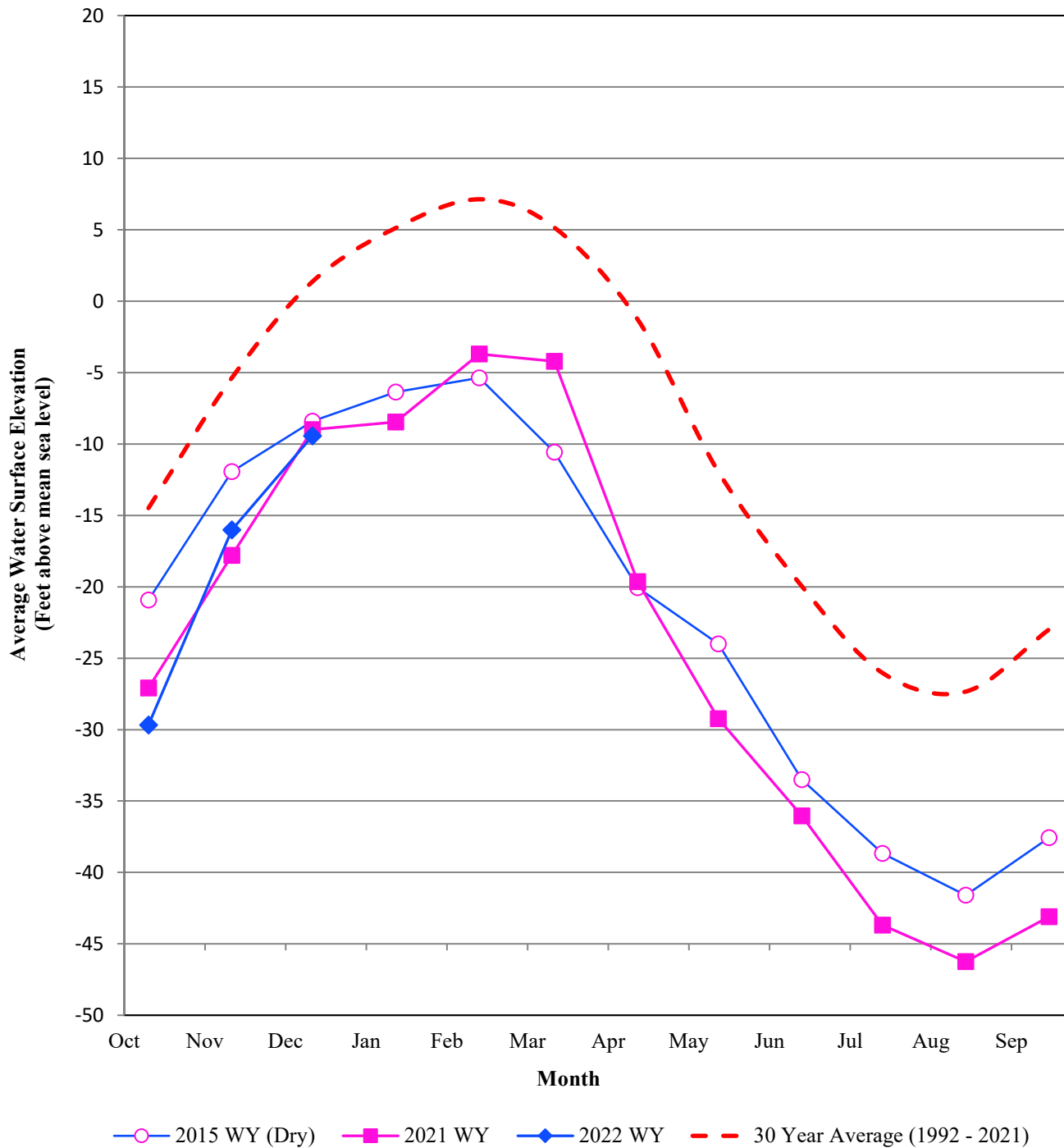
11 Wells



GROUNDWATER TRENDS

EAST SIDE SUBAREA

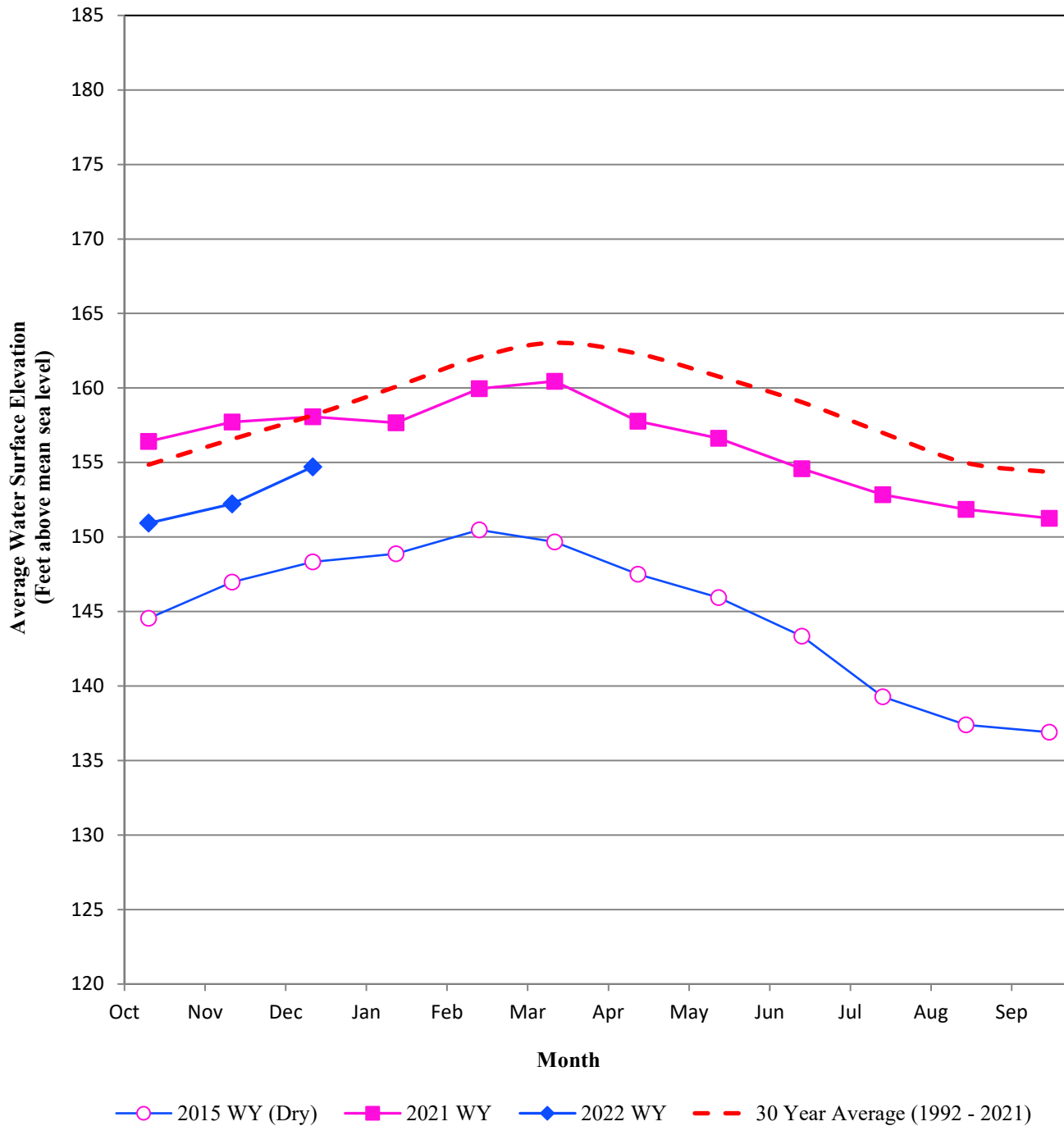
12 Wells



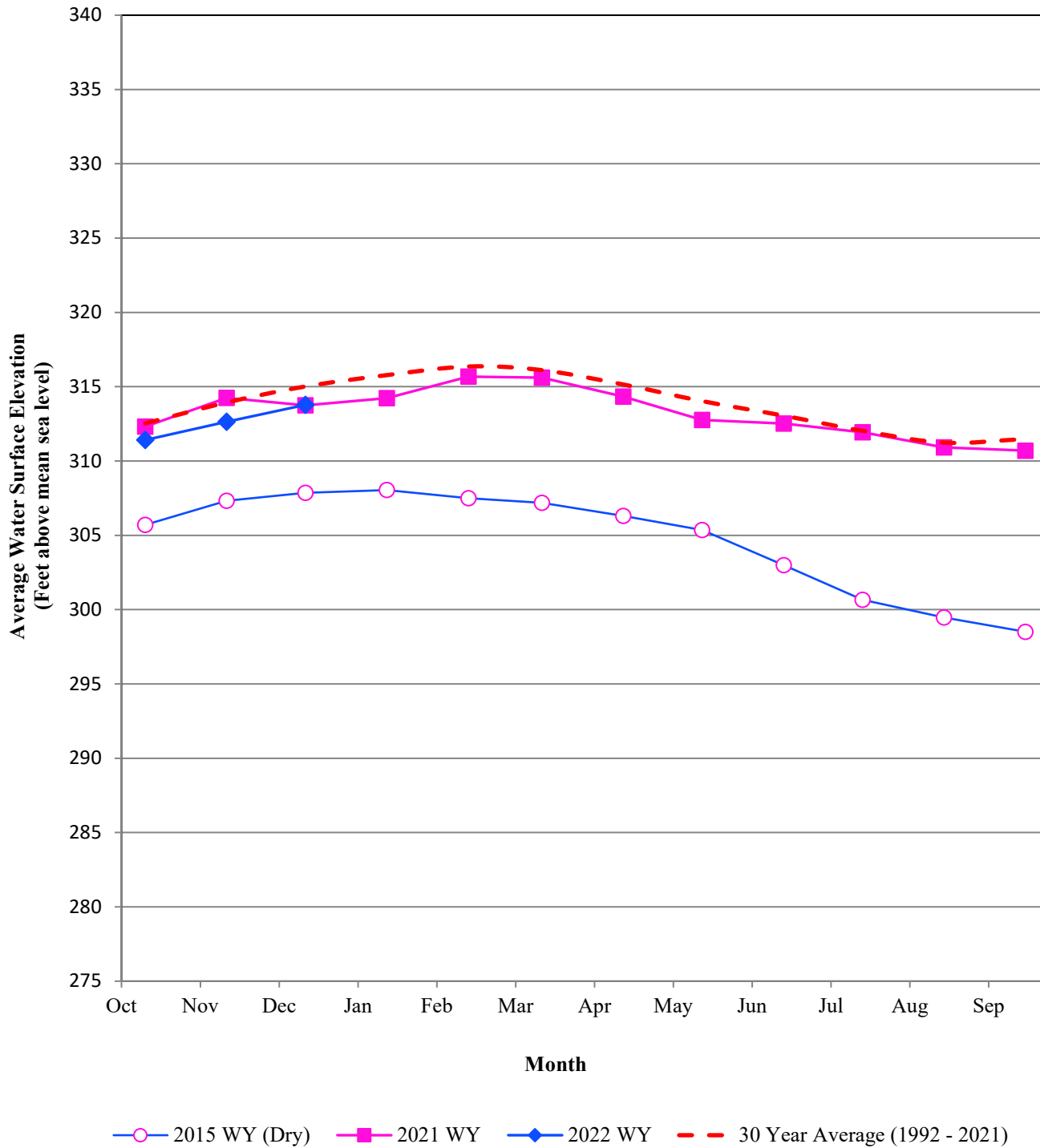
GROUNDWATER TRENDS

FOREBAY SUBAREA

13 Wells



GROUNDWATER TRENDS UPPER VALLEY SUBAREA 9 Wells



Groundwater Trends Summary December 2021

| Area | December 2021 Groundwater Elevation (ft msl) | Change over First Quarter | 1 Year Change | Difference from 30 year Average Elevation |
|-------------------------|--|------------------------------|---------------|---|
| 180-Foot Aquifer | 5 ' | Up 9 ' | Down 2 ' | Down 6 ' |
| 400-Foot Aquifer | -1 ' | Up 15 ' | Down 1 ' | Down 3 ' |
| Deep Aquifers | -27 ' | Up 14 ' | Up < 1 ' | — |
| East Side Subarea | -9 ' | Up 34 ' | Down < 1 ' | Down 11 ' |
| Forebay Subarea | 155 ' | Up 3 ' | Down 3 ' | Down 4 ' |
| Upper Valley Subarea | 314 ' | Up 3 ' | No Change | Down 1 ' |



Monterey County

Item No.12

Board Report

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

Legistar File Number: WRAG 22-030

February 22, 2022

Introduced: 2/10/2022

Current Status: Draft

Version: 1

Matter Type: WR General Agenda

1. Letter dated January 31, 2022, from the Department of the Interior, Bureau of Reclamation to Shaunna Murray, Monterey County Water Resources Agency
Re: Notice of Funding Opportunity No. R22AS00020 - WaterSMART Drought Response Program: Drought Resiliency Projects for Fiscal Year 2022- DRP-008 Application Review Status, Your Application Titled, "Castroville Seawater Intrusion Project (CSIP) Distribution System Optimization."
2. Letter dated February 11, 2022, from the State Water Board to Santa Cruz County Flood Control and Water Conservation District, Zone 7
Re: Enforcement program: Santa Cruz County Flood Control and Water Conservation District, Pajaro River Roughness Reduction Project, Santa Cruz County - Notice of Violation for Failing to Submit a Report of Waste Discharge
3. Letter from Santa Cruz County Flood Control and Water Conservation District, Zone 7 to Kim Sanders, State Water Board
Re: Santa Cruz County Flood Control and Water Conservation District, Pajaro River Roughness Reduction Project, Santa Cruz County - Requirement to obtain regulatory coverage for discharges to waters of the State in the Pajaro River



United States Department of the Interior

BUREAU OF RECLAMATION
P.O. Box 25007
Denver, CO 80225-0007



IN REPLY REFER TO:

84-27133

1.3.11

January 31, 2022

VIA ELECTRONIC MAIL

Monterey County Water Resources Agency
Attn: Ms. Shaunna Murray
P.O. Box 930
Salinas CA, 93902-9300

Subject: Notice of Funding Opportunity No. R22AS00020 – WaterSMART Drought Response
Program: Drought Resiliency Projects for Fiscal Year 2022- DRP-008 Application Review
Status, Your Application Titled, “Castroville Seawater Intrusion Project (CSIP) Distribution
System Optimization.”

Dear Ms. Shaunna Murray:

Thank you for submitting a WaterSMART Drought Response Program: Drought Resiliency Projects application. The Bureau of Reclamation has conducted a review of the applications received in response to the Drought Resiliency Projects Notice of Funding Opportunity (NOFO) based on the prioritization criteria included in the NOFO. Reclamation regrets to inform you that your application was not among those receiving the highest ratings and, therefore, will not be considered further for award.

This year, Reclamation is identifying Drought Resiliency Project selections in a multi-phased approach. For information on the projects identified for funding as initial selections, please see today's announcement at www.usbr.gov/newsroom. In addition, to receive information and announcements regarding upcoming activities and additional grant opportunities under the WaterSMART program, please send an email to watersmart@usbr.gov with, “Drought mailing list” in the subject or visit the Drought Response Program website at <http://www.usbr.gov/drought/>.

Thank you for your interest and participation in the WaterSMART Drought Response Program. If you have any questions about the program or would like to request a debriefing to discuss the ranking of your application relative to the evaluation factors in the NOFO, please contact Ms. Sheri Looper, Reclamation Drought Coordinator, at 916-978-5556 or slooper@usbr.gov. Debriefings are highly recommended for applicants interested in reapplying in response to a future funding opportunity, and it is anticipated that debriefings will be conducted starting in May.

Sincerely,

/s/ Beverly K. Nelson
Chief of the Grants Office

February 11, 2022

Santa Cruz County Flood Control and
Water Conservation District, Zone 7
Matt Machado
701 Ocean Street, Room 410
Santa Cruz, CA 95060
Email: matt.machado@santacruzcounty.us

**VIA EMAIL AND CERTIFIED MAIL
NO. 7020 1810 0002 0768 3364**

Dear Mr. Machado:

**ENFORCEMENT PROGRAM: SANTA CRUZ COUNTY FLOOD CONTROL AND
WATER CONSERVATION DISTRICT, PAJARO RIVER ROUGHNESS REDUCTION
PROJECT, SANTA CRUZ COUNTY – NOTICE OF VIOLATION FOR FAILING TO
SUBMIT A REPORT OF WASTE DISCHARGE**

The California Regional Water Quality Control Board, Central Coast Region (Central Coast Water Board) is a state regulatory agency with the responsibility for protecting the quality of the waters of the state within its area of jurisdiction. The Central Coast Water Board has authority to require submission of information, direct action, establish regulations, levy penalties, and bring legal action when necessary to protect water quality. On November 1, 2021, the Central Coast Water Board's Executive Officer issued the Santa Cruz County Flood Control and Water Conservation District (Discharger) a requirement to submit a report of waste discharge (ROWD)¹, pursuant to California Water Code (Water Code) section 13260, for the 2022 through 2025 roughness reduction/vegetation removal activities (Directive Order). This notice of violation is to inform the Discharger of the violation for failing to comply with the requirement to submit a complete ROWD pursuant to Water Code section 13260, and to notify the Discharger of the associated liabilities that accrue for each day of violation pursuant to Water Code section 13261.

Notice of Violation

The Central Coast Water Board issued a Directive Order on November 1, 2021. The Directive Order requires the Discharger to submit a ROWD by December 31, 2021. On November 17, 2021, Central Coast Water Board staff met with the Discharger to discuss the Directive Order and Central Coast Water Board staff offered to be available

¹ A report of waste discharge is also commonly referred to as a permit application or an application to enroll in waste discharge requirements.

to answer questions during the Discharger's preparation of the ROWD. Central Coast Water Board staff also provided a list of resources for the Discharger's consideration to assist them in their preparation of the ROWD.

On December 20, 2021, the Discharger submitted a letter stating that the Discharger is preparing the ROWD and anticipates completion of a ROWD in Spring 2022. The ROWD was due on December 31, 2021, therefore, the Discharger is out of compliance with the Directive Order.

Potential Liabilities

To avoid accrual of administrative civil liability penalties up to \$1,000 per day for each day the violations occurs, the Discharger must **immediately** submit a ROWD as described in the Directive Order. Failure to provide the required information may subject the Discharger to enforcement action by the Central Coast Water Board, including civil administrative liability penalties of up to \$1,000 per day for each day the violation occurs, pursuant to Water Code section 13261.

Water Code section 13261 states, in relevant part:

- (a) Any person failing to furnish a report or pay a fee under section 13260 when so requested by a regional board is guilty of a misdemeanor and may be liable civilly in accordance with subdivision (b).
- (b) (1) Civil liability may be administratively imposed by a regional board ... in an amount that may not exceed one thousand dollars (\$1,000) for each day in which the violation occurs.

If the Central Coast Water Board imposes a penalty, the Discharger must still submit the information required by the Directive Order. As of the date of this notice of violation, the Discharger is 42 days late in complying with the requirement to submit an ROWD and is subject to a maximum liability of up to \$42,000 to date.

Unauthorized Discharges of Waste

The Discharger's roughness reduction/vegetation removal activities that result in a discharge of waste to waters of the state are subject to waste discharge requirements. Discharge of waste without waste discharge requirements is unauthorized and the discharge of soil, silt, or other organic or earthen materials into waters of the state is a violation of a prohibition of the Water Quality Control Plan for the Central Coast Region (Basin Plan). Water Code section 13350(a)(2) states that any person who violates a Basin Plan prohibition shall be civilly liable and subject to penalties imposed by the Central Coast Water Board or superior court. The Central Coast Water Board may administratively impose civil liability for each violation of up to \$5,000 per day or \$10 for each gallon of waste discharged. Alternatively, the superior court may judicially impose civil liability for each violation of up to \$15,000 per day or \$20 per gallon of waste discharged.

The Central Coast Water Board reserves its right to take any enforcement action authorized by law, including seeking penalties for unauthorized discharges.

If you have any questions regarding this letter, please contact Kim Sanders at Kim.Sanders@waterboards.ca.gov or 805-541-7441, or Diane Kukol at Diane.Kukol@waterboards.ca.gov or 805-542-4637.

Sincerely,

Thea S. Tryon
Assistant Executive Officer

cc (via email only):

Mark Strudley, Santa Cruz County, Mark.Strudley@santacruzcounty.us
Antonella Gentile, Santa Cruz County, Antonella.Gentile@santacruzcounty.us
Rusty Barker, Santa Cruz County, Rusty.Barker@santacruzcounty.us
Brent Buche, MCWRA, bucheb@co.monterey.ca.us
Mark Foxworthy, MCWRA, foxworthyme1@co.monterey.ca.us
Jennifer Bodensteiner, MCWRA, BodensteinerJM@co.monterey.ca.us
Serena Stumpf, CA Department of Fish and Wildlife, Serena.Stumpf@Wildlife.ca.gov
Linda Connolly, CA Department of Fish and Wildlife, Linda.Connolly@wildlife.ca.gov
Frances Malamud-Roam, USACE, Frances.P.Malamud-Roam@usace.army.mil
Chad Mitcham, U. S. Fish and Wildlife Service, Chad_Mitcham@fws.gov
Joel Casagrande, National Marine Fisheries Service, Joel.Casagrande@noaa.gov
Mary Hamilton, Central Coast Water Board, Mary.Hamilton@waterboards.ca.gov
Todd Stanley, Central Coast Water Board, Todd.Stanley@waterboards.ca.gov
Tamara Anderson, Central Coast Water Board, Tamara.Anderson@waterboards.ca.gov
Diane Kukol, Central Coast Water Board, Diane.Kukol@waterboards.ca.gov
Kim Sanders, Central Coast Water Board, Kim.Sanders@waterboards.ca.gov

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PajaroRiverRoughReducNonfiler_final.docx



County of Santa Cruz

FLOOD CONTROL AND WATER CONSERVATION DISTRICT – ZONE 7

701 OCEAN STREET, ROOM 410, SANTA CRUZ, CA 95060-4070
(831) 454-2160 FAX (831) 454-2385 TDD (831) 454-2123

MS. KIM SANDERS
895 Aerovista Place Suite 101
San Luis Obispo, CA 93401
Email: Kim.Sanders@waterboards.ca.gov

SUBJECT: SANTA CRUZ COUNTY FLOOD CONTROL AND WATER
CONSERVATION DISTRICT, ZONE 7, PAJARO RIVER ROUGHNESS
REDUCTION PROJECT, SANTA CRUZ COUNTY – REQUIREMENT TO
OBTAIN REGULATORY COVERAGE FOR DISCHARGES TO WATERS OF
THE STATE IN THE PAJARO RIVER

Dear Ms. Sanders:

The Santa Cruz County Flood Control and Water Conservation District (District) is responding to the Central Coast Regional Water Quality Control Board (Regional Board) letter, dated November 1, 2021, requiring submittal of a report of waste discharge within 60 days of the letter (which corresponds to December 31, 2021) for the 2022 through 2025 roughness reduction activities pursuant to the Water Code section 13260.

The District is actively compiling the components required for the report of waste discharge (RWD) at this time. The District anticipates completion of a RWD in spring 2022, aligning with the draft completion of the biological resources report that is being prepared in support of the stream maintenance program, which is concurrently under development by the District. At this time, the District is unable to provide a complete RWD. In an effort to respond in the 60-day period allotted by Regional Board, the District is providing information below regarding the six items listed in the November 1, 2021 letter. The Regional Board requirements are identified in italics.

1. *The proposed vegetation removal activities for 2022 through 2025.*

The District is in the process of developing a comprehensive description of vegetation trimming activities. The District respectfully requests that the Regional Board acknowledge the method of vegetation trimming that does not include root system removal and therefore should not be characterized as full removal. Trimmed vegetation is expected to regrow, based on District observations, and provide cyclical mitigation similar to the planting of new individuals, which would take time to grow to maturity. Because this is a multi-year program, careful consideration must be given to various

project components, such as methodology, onsite biological resources, access, and staging. The District is considering these components and will provide a plan for vegetation trimming for the years 2022-2025 with the submittal of the RWD.

2. *Other proposed project activities (such as diversions, dewatering, debris removal, excavation, bank revetment, construction or use of access roads and staging areas, and stockpiling of materials).*

A description of other proposed project activities will be submitted along with the description of proposed vegetation trimming activities as described in item 1.

3. *The sequence of actions that will be taken to first avoid, minimize, and compensate for adverse impacts to waters of the state that cannot be practicably avoided or minimized.*

The District has evaluated and minimized adverse impacts to waters of the state. The present approach to channel roughness reduction employs trimming of smaller growth and retaining mature trees at regular intervals to achieve required channel conveyance capacity. The goal is to maintain a continuous semi-linear canopy of mature trees by retaining a minimum of 1 tree every 40 feet along the channel banks throughout the project area. Additionally, all vegetation within the riparian buffer (within 5 feet of the low-flow channel) will be retained. The District has also revised the initial proposal from conducting channel maintenance throughout the system to taking a phased approach, resulting in a reduction of vegetation trimming activities completed annually.

The District maintains that planting new vegetation into the floodway is not appropriate compensatory mitigation and contrary to the objectives of the Project. Planting new individuals is also not necessary given the potential for regrowth of trimmed cottonwood and willow species. The District also maintains that the trash removal and homeless camp abatement program is critical to the overall health of the Pajaro River system and would not conflict with the beneficial uses assigned to the Pajaro River in the *Water Quality Control Plan for the Central Coast Basin* (Basin Plan), as this would result in the direct removal of pollutants from the watershed and provide an immediate benefit locally and downstream. The District also maintains that the raptor program proposed as mitigation is also consistent with as implementation of the Basin Plan as the raptor program has resulted in a decreased use in rodenticide. The raptor program is proving successful with a number of successful hatches documented in 2021 from the owl boxes installed prior to the 2020 nesting season. Researchers have subsequently documented fewer rodent burrows, which supports a reduction in use of both rodenticide and fumigation (Bay Nature 2021). Rodenticide and fumigants are chemical pollutants that can have adverse effects on water quality, beneficial uses, and the greater food chain as well as ecosystem health. The District respectfully requests that the Regional Board re-evaluate the position that the raptor program is not suitable compensatory mitigation.

Additional details regarding the District's plan for avoidance, minimization and mitigation will be provided with the RWD.

4. *Demonstration that potential impacts will not contribute to a net loss of the overall abundance, diversity, and condition of aquatic resources in the watershed.*

Potential impacts of implementing the Project are limited to temporary impacts on water quality resulting from sedimentation. The District's objective is to balance flood capacity of the levee system with habitat protection. The Project would result in a reduction of roughness within the Pajaro River levee system. Vegetation would be cut, chipped, and placed within the maintenance corridor along the waterside levee toe. Additionally, the District is preparing a biological resources report that will describe the potential for the Project to result in a loss of abundance or diversity.

5. *Demonstration that the discharge of waste will not violate water quality standards and will be consistent with all applicable water quality control plans and policies for water quality control.*

The Pajaro River (Hydrologic Unit 305) has 13 beneficial uses identified in the Basin Plan (RWQCB Central Coast Region 2017). The beneficial uses include: Municipal and Domestic Supply (MUN), Agricultural supply (AGR), Industrial Service Supply (IND), Groundwater Recharge (GWR), Water Contact Recreation (REC-1), Non-Contact Water Recreation (REC-2), Wildlife Habitat (WILD), Cold Fresh Water Habitat (COLD), Warm Fresh Water Habitat (WARM), Migration of Aquatic Organisms (MIGR), Spawning, Reproduction, and/or Early Development (SPWN), Fresh Water Replenishment (FRSH), and Commercial and Sport Fishing (COMM).

The Project is centered on the Pajaro River and the primary objective is to re-establish the flow capacity conveyance established by the U.S. Army Corps of Engineers' (USACE) 1949 Pajaro River Levee Project Operations and Maintenance Manual. As previously described in conversations with the Regional Board, the current condition of the flood control system is overgrown with dense vegetation growth resulting in a high degree of channel roughness, and a system unable to appropriately convey flood flows, and therefore the potential to undermine the levee structure and result in deleterious impacts to life and property is real and imminent.

Trimmed material, woody debris and slash will be chipped and placed above ordinary high water. Some larger woody material could be retained within the low flow channel to improve fish habitat, migration, and early development. Cut native species material is non-hazardous as it is carbon-based and biological in nature. Any removed invasive species material would be disposed at a landfill or other appropriate facility. Under Clean Water Act Section 303(d), the Pajaro River is a listed water body for sediment and nitrate, and nutrients. Total maximum daily loads have been established but are not currently being met. Pollutant levels of sediment, nutrients, pesticides, and fecal indicator bacteria are exacerbated by the degradation of aquatic and riparian habitat and changes in hydrogeomorphic processes in the Pajaro River system (USACE 2019).

The Project will retain mature trees in the levee system as well as smaller growth within the riparian buffer and elsewhere when appropriate. Further, the thinning of dense

vegetation thickets may encourage additional use by waterfowl and expand habitat for amphibian species by allowing emergent vegetation to occupy the low-flow channel margins where thickets of shrubs presently prohibit emergent vegetation growth.

6. *Demonstration that the discharge of waste will not cause or contribute to significant degradation of the waters of the state.*

Project implementation would not cause nor contribute to a significant degradation of waters of the state as impacts associated with sedimentation related to equipment access would be minimal and temporary in nature. Standard best management practices including utilization of existing access routes, re-fueling outside of the waters of the state, completing the project during periods of no flow or low-flow, and prohibiting equipment inside the active flowing channel would be adhered to as a matter of standard practice.

The District will continue to assemble the information required by the Regional Board for a RWD for vegetation trimming activities anticipated and planned for 2022 through 2025. The District continues to evaluate the Pajaro River system reaches in an effort to bring the system into compliance with flood conveyance requirements while minimizing adverse effects to the environment, including preserving beneficial uses of waters of the state.

If you have questions about this letter, please do not hesitate to contact Antonella Gentile at antonella.gentile@santacruzcounty.us or (831)454-2632.

Sincerely,

DocuSigned by:

 50EBAC64454C48C...

Matt Machado
 District Engineer
 Santa Cruz County Flood Control
 and Water Conservation District, Zone 7

DocuSigned by:

 EABBE3D1C73490...

Elizabeth Krafft
 Deputy General Manager
 Monterey County Water Resources Agency

References

Bay Nature. 2021. December 6. *How Birds Help Keep the Pajaro River Levees Safe Without Poison*. Available: <https://baynature.org/2021/12/06/how-birds-help-keep-the-pajaro-river-levees-safe-without-poison/>

Regional Water Quality Control Board, Central Coast Region. 2017. (September). *Water Quality Control Plan for the Central Coast Basin* identifies a total of 23 beneficial uses (RWQCB Central Coast Region 2017). State Water Resources Control Board and California Environmental Protection Agency. Available: https://www.waterboards.ca.gov/centralcoast/publications_forms/publications/basin_plan/docs2017/2017_basin_plan_r3_complete.pdf

U.S. Army Corps of Engineers (USACE). 2019. February. *Final General Reevaluation Report and Integrated Environmental Assessment for the Pajaro River Flood Risk Management*

Project Santa Cruz and Monterey Counties California. Revised December 2019 Available:

<https://www.spn.usace.army.mil/Portals/68/docs/P%20and%20Programs/Pajaro/Pajaro%20River%20Final%20GRR%20EA%20Feb%202019%20Revised%20Dec%202019.pdf?ver=2020-06-18-141621-483>

U.S. Army Corps of Engineers. 1949. *Pajaro River Levee Project, Operations and Maintenance Manual*. San Francisco District, USACE.

AG:jv

Central Coast Water Board Response 2021.doc