



County of Monterey

Item No.

Board Report

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

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September 15, 2025

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Consider approving Amendment No. 1 to the Agreement for Services with Fieldman, Rolapp and Associates, Inc., to extend the term of the contract from August 3, 2028, to December 31, 2028, to increase the dollar amount by \$75,000 for a total contract amount not to exceed \$165,000 for municipal financing services; and authorize the General Manager to execute the amendment.

RECOMMENDATION:

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

Approve Amendment No. 1 to the Agreement for Services with Fieldman, Rolapp and Associates, Inc., to extend the term of the contract from August 3, 2028, to December 31, 2028, to increase the dollar amount by \$75,000 for a total contract amount not to exceed \$165,000 for municipal financing services; and authorize the General Manager to execute the amendment.

SUMMARY/DISCUSSION:

The Agency has initiated an effort to identify and implement future funding and cost allocation and recovery methods to support the local cost share for safety projects and operations at Nacimiento and San Antonio dams. This effort has included, among other things, an update to the Agency's 1998 Historical Benefits Analysis, development and maintenance of a Long Range Financial Plan Model, and development and presentation of potential financing options to the Agency's Planning Committee, Finance Committee, and July 9th funding strategies stakeholder workshop and special meeting of the Board of Directors.

The successful development and implementation of future funding and cost allocation and recovery methods will require engagement several subject matter experts, including a municipal finance team. Typically, a municipal finance team is comprised of (a) bond counsel - a law firm experienced in structuring multiple forms of municipal financial structures and products; this firm is also experienced in federal tax code regulations enabling issuers and investors to rely upon its opinion that income on municipal debt is exempt from federal taxation; (b) disclosure counsel - a law firm experienced in federal securities law enabling it to prepare offering and disclosure documents on behalf of clients that meet federal securities laws and regulations; (c) trustee/paying agent - typically a large financial institution (bank or trust company) that is experienced in administering the funds generated from the sale of municipal securities, managing the transfer of securities by bond owners and making timely payments of debt service to bond holders; (d) an underwriter - not always engaged as part of the finance team, it is a banking firm with experience in structuring and selling municipal securities to

investors; and (e) the municipal advisor - as with attorneys, municipal advisors have a fiduciary duty to the issuer. To meet this duty, municipal advisors must for fully understand each aspect of the financial products/debt it recommends, including the suitability and risks to the issuer, proper and adequate disclosure to the market including credit rating agencies and bond insurers. While investment bankers are regulated and qualified by Securities and Exchange Commission (SEC) examinations, municipal advisory firms are required to establish and maintain a fiduciary relationship with an issuer.

After the Great Recession, sweeping federal legislation (commonly referred to as Dodd-Frank) affected nearly every sector of the banking and financial services industry. The Great Recession caused significant financial distress in the fixed-income markets, especially from the aspect of liquidity, and many municipalities' finances were significantly and negatively impacted from financial products and strategies that proved unsuitable for them. Dodd-Frank created regulations to protect municipalities from parties that were not adequately disclosing and or quantifying risks and thereby required Municipal Advisors to be subject to rules and regulations established by the Municipal Securities Rulemaking Board (MSRB) and enforced by the SEC.

Individual municipal advisors are qualified by the MSRB and SEC through the successful completion of examinations testing the understanding of financial markets, financial products, legal structures of bonds and other forms of debt, credit analysis, bond mathematics, tax code rules and regulations and financial risks, among other things. The Agency's team at Fieldman includes individuals with both Series 50 Certifications and advanced Series 54 Certifications, which requires the completion of additional examinations testing an advisor's understanding of advising clients, including matters related to "understanding your clients", risk tolerance, and suitability of financial products. These certifications help ensure that the expert advice being provided to the Agency and its Boards not only meets the rigorous legal requirements, but also the practical needs of the Agency and its stakeholders.

On August 3, 2023, the Agency entered into an Agreement, attached, with Fieldman, Rolapp and Associates, Inc., to provide municipal financial advice and management services, including development and maintenance of a Long Range Financial Plan Model and identification of potential funding strategies to support development of the Agency's Dam Safety & Operations Financial Strategy. Fieldman has presented the Long Range Financial Plan Model and potential funding strategies to the Planning Committee, February 2024, Finance Committee, February 2025, and the Special Board of Directors Workshop with stakeholders on July 9, 2025.

Amendment No. 1 seeks to expand Fieldman's Scope of Services to complete Phase I of the original Agreement, maintaining the Long Range Financial Plan Model and supporting development of a long-range financial plan, and to implement Phase II, Analysis of Funding Options and Implementation of the Funding Strategy. Implementation of the Funding Strategy includes:

- Review and revision of financial policies;
- Support for S&P Rating Evaluation Service;
- Advise on WIFIA Loan determination;
- Support for Funding Strategy general election;
- Support staff and Agency presentations.

The Agency will direct the scope of work over the next three and a half years. All or none of the scope of work may be implemented, depending upon stakeholder engagement, legal and technical review and reports, including hydrologic and economic analysis, competing time constraints, and election results. Extension of the contract is to align services with the November 7, 2028, general election.

At its August 1st, 2025, meeting, the Finance Committee directed that Amendment #1 be brought to the Board of Directors for consideration on August 18th, without offering a recommendation. At the August 18th meeting, the majority of Directors present elected to not approve the amendment. The services called for under the Amendment remain necessary to securing future funding for the Agency's dam safety projects in compliance with the Federal Energy Regulatory Commission and California Division of Safety of Dams guidance.

STRATEGIC PLAN ALIGNMENT:

This recommendation aligns with the Board approved Strategic Plan Goals: A, Strategies 3 & 5; C, Strategies 1 & 2; and D, Strategies 1 & 3.

OTHER AGENCY INVOLVEMENT:

None.

FINANCING:

Funding for this Amendment was approved by the Board of Directors on April 21, and the Board of Supervisors on June 17, and are budgeted from Funds 111 - Administration & Countywide Services and 116 - Salinas Valley Water Project Dam Operations, Maintenance & Administration for the adopted FY2025-2026 Budget. The proposed Scope of Services spans three and a half years and in the current fiscal-year, ~\$25,000 in expenses are anticipated. Other Funds may also be identified in future fiscal years.

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

Attachments:

1. Original Agreement for Services
2. Amendment No. 1
3. Revised Scope of Services
4. Board Order