



Monterey County

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Board Report

Legistar File Number: WRAA 17-011

February 07, 2017

Introduced: 1/30/2017

Version: 1

Current Status: Agenda Ready

Matter Type: WR Agreement

Adopt a resolution:

- a) Authorizing the Monterey County Water Resources Agency to enter into a Grant Agreement with California Department of Water Resources to receive up to \$10 million in grant funds for the Interlake Tunnel and Spillway Modification Project; and authorize the General Manager to execute the Grant Agreement.
- b) Authorizing the General Manager, subject to review and approval by the County Counsel, to execute up to three (3) amendments to the Grant Agreement that do not materially alter the terms of the Grant Agreement.

RECOMMENDATION:

It is recommended that the Monterey County Water Resources Agency Board of Supervisors adopt a resolution:

- a) Authorize the Monterey County Water Resources Agency to enter into a Grant Agreement (with attached work plan, budget and schedule) with California Department of Water Resources to receive up to \$10 million in grant funds for the Interlake Tunnel and Spillway Modification Project; and authorize the General Manager to execute the Grant Agreement.
- b) Authorize the General Manager, subject to review and approval by the County Counsel, to execute up to three (3) amendments to the Grant Agreement (including attachments) that do not materially alter the terms of the Grant Agreement.

SUMMARY/DISCUSSION:

On September 13, 2016, the Governor signed Senate Bill 831, which appropriated \$10 million dollars from the California General Fund to the California Department of Water Resources (DWR). SB 831 authorizes a grant to the Agency for the purposes of a water conveyance tunnel between the San Antonio and Nacimiento Reservoirs, and spillway modifications at San Antonio to increase water storage.

On October 6, 2016, Agency and DWR staff met and identified the parameters for use of the grant and the timing for release of the funds. On October 13, 2016, DWR sent the Agency a commitment letter for \$10 million conditioned on the execution of a grant agreement. The grant agreement includes: 1) work plan, 2) budget, 3) schedule, and 4) resolution authorizing the General Manager to execute the grant agreement.

On November 1, 2016, the Agency Board of Supervisors adopted a resolution accepting the grant funds, conditioned on the General Manager's preparation of a grant agreement with DWR. The Supervisors further directed the General Manager to present the proposed grant agreement to the Agency Board of Directors, and then return to the Agency Board of Supervisors with the recommendation of the Board of Directors.

Since November 18, 2016 the Project team, including Agency staff has worked with DWR staff to modify and develop the attached grant agreement, including the 1) work plan, 2) budget, and 3) schedule.

Staff again brings the grant agreement package to both Boards in accordance with DWR's processing request. DWR and Agency management and counsel have agreed that the grant agreement package is sufficiently in the form in which it can be approved and executed. DWR has assigned AGREEMENT NUMBER 4600011748 to the grant agreement. The attached Agency Board of Directors Board Order and recommended Board of Supervisors Resolution reflect the proposed final version of the grant agreement.

The grant agreement is similar to the standard grant agreement that DWR uses for analogous grants, with modifications to tailor the grant agreement to SB 831 and to the Interlake Tunnel and Spillway Modification Project. While the Project team, including consultants assisting Agency staff, prepared the work plan, budget and schedule using the best available information, revisions to the agreement (e.g., work plan, budget and schedule) are to be expected. Therefore, management requests authority to make up to three amendments to the agreement.

We remind you that consultants for the Agency are preparing an environmental impact report (EIR) for the Project. Approval of the attached resolution does not commit the Agency to undertake the Project. The resolution authorizes the Agency to execute the grant agreement, enabling the Agency to receive DWR reimbursement for allowable expenditures up to \$10 million. Construction of the Project cannot and will not be undertaken until key milestones are completed, including certification of an EIR and approval of bid specifications by the Board of Supervisors, a successful Proposition 218 vote by owners, and Supervisor approval of a design-build contract.

OTHER AGENCY INVOLVEMENT:

CAO - Intergovernmental and Legislative Affairs office was involved in this grant process. The Agency Basin Management Plan Committee accepted an informational report on SB 831 on October 5, 2016. The County Counsel's Office was involved in development of the final version of the grant agreement. Due to the late submission of this report, the CAO Budget and Analysis division was not provided adequate time to review for potential fiscal, organizational, policy or other implications to the County of Monterey.

FINANCING:

Ten million dollars in State General Fund grant monies will be received from DWR on a reimbursement basis. None of those grant funds will have to be repaid to the State if the milestones in the grant agreement cannot be achieved, as explained in the terms of the grant agreement.

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