



Monterey County

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Board Report

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Adopt a resolution to:

- a. Approve a modification to the Water Resources Agency Organizational Structure to add an Interlake Tunnel and Spillway Modification Fund 426-9300-8267-WRA036 to track a \$10 million dollar grant (received on a reimbursement basis) from the Department of Water Resources effective September 13, 2016; and
- b. Authorize the Auditor Controller to increase revenue and appropriations in the WRA FY 2016-17 Adopted Budget for the Interlake Tunnel and Spillway Modification Fund 426-9300-8267-WRA036 in the amount of \$2,000,000. (4/5th vote required); and
- c. Authorize the Auditor Controller to increase appropriations in the Monterey County Water Resource FY 2016-17 Adopted Budget Interlake Tunnel and Spillway Modification Fund 426-9300-8267-WRA036 in the amount of \$1,161,635 financed by Zone 2C Dam Operations Fund 116-9300-8267-WRA006-5415 an operating transfer from the Monterey County Third Funding and Reimbursement Agreement with the Agency. (4/5th vote required); and
- d. Authorize the Auditor Controller to assign all Agency expenses and contracts related to the Interlake Tunnel and Spillway Modification to the Interlake Tunnel and Spillway Modification Fund 426-9300-8267-WRA036.

RECOMMENDATION:

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

- a. Approving a modification to the Water Resources Agency Organizational Structure to add an Interlake Tunnel and Spillway Modification Fund 426-9300-8267-WRA036 to track a \$10 million dollar grant (received on a reimbursement basis) from the Department of Water Resources effective September 13, 2016; and
- b. Authorizing the Auditor Controller to increase revenue and appropriations in the WRA FY 2016-17 Adopted Budget for the Interlake Tunnel and Spillway Modification Fund 426-9300-8267-WRA036 the amount of \$2,000,000 (4/5th vote required); and
- c. Authorizing the Auditor Controller to increase appropriations in the Monterey County Water Resource FY 2016-17 Adopted Budget Interlake Tunnel and Spillway Modification Fund 426-9300-8267-WRA036 in the amount of \$1,161,635 financed by Zone 2C Dam Operations Fund 116-9300-8267-WRA006-5415 an operating transfer from the Monterey County Third Funding and Reimbursement Agreement with the Agency. (4/5th vote required); and
- d. Authorizing the Auditor Controller to assign all Agency expenses and contracts related to the Interlake Tunnel and Spillway Modification to the Interlake Tunnel and Spillway Modification Fund 426-9300-8267-WRA036.

SUMMARY/DISCUSSION:

Through these recommended budget actions, this Board is asked to approve Agency Staff's estimate of the tunnel related expenses and contract expenditures to be made in this FY 2016-17; approve Agency staff estimate of revenue in this fiscal year from DWR's reimbursement of those expenditures, from funds allocated by the Legislature under SB831; and authorize the Auditor Controller to create a new fund in the Agency budget related to all revenue and expenses for the Interlake and Spillway Modification Project. The Board is also requested to authorize the Auditor Controller to assign all Agency expenses and contracts related to the Interlake Tunnel and Spillway Modification Project to the new Interlake Tunnel and Spillway Modification Fund.

On September 13, 2016, Governor Brown signed Senate Bill 831 which appropriated \$10 million dollars from the California General Fund to the California Department of Water Resources (DWR) to grant funds 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, a meeting was held with DWR to identify the parameters related to what the monies can be spent on 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. Components of the grant agreement include: 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. This Board further directed the General Manager to present the proposed grant agreement to the Agency Board of Directors, and then to the Agency Board of Supervisors with the recommendation of the Board of Directors.

On November 18, 2016, Agency staff provided DWR with proposed 1) work plan, 2) budget, and 3) schedule, as DWR requested. A draft grant agreement was also presented to DWR on November 18, 2016.

The Board of Directors and WRA Board of Supervisors met on December 6th and approved the DWR \$10,000,000 grant agreement and resolution. The Board authorized the General Manager, subject to review and approval of the County Counsel, to make such modifications to the grant agreement as may be required by DWR, which do not materially change the essential terms of the grant agreement.

Since December 6, the Project team received comments from DWR on the grant agreement package, including work plan, budget and schedules, and is working out the final term of the grant agreement package.

Creation of the new Interlake tunnel and Spillway Modification Fund will make it easier to track all revenue and expenses for the Project. That, in turn, will facilitate identifying those expenses which are eligible for reimbursement from the DWR \$10 million grant. Recognition of new revenue is feasible because the Agency has a letter of commitment from DWR, and indication that any expenses after September 13, 2016, are potentially eligible for reimbursement on a quarterly basis. The expenses that are anticipated to be reimbursed in this

fiscal year are based on work plan, budget, and schedule submitted to DWR, prepared by EPC, the Agency's consulting project manager. (See Exhibit 1.)

Consultants for the Agency are preparing an environmental impact report (EIR) for the Project. Construction of the Project cannot and will not be undertaken until key milestones are completed, including Board certification of the EIR, Board approval of bid specifications, a successful Proposition 218 vote, and Board approval of a design-build contract for the tunnel, and bid-build contract for the spillway modification.

OTHER AGENCY INVOLVEMENT:

County Counsel and the Auditor-Controller's office was consulted in the preparation of this report. 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:

This transaction creates a new Fund to track revenue and appropriations of \$2,000,000 based on the FY 2016-17 project work plan submitted to DWR for grant reimbursement. This transaction also moves the existing appropriation of \$1,161,635 which is the remaining balance in the fiscal year 2016-17 budget from the County through the Third Reimbursement and Funding Agreement in the Dam Operations Fund 116-9300-8267-WRA 006-6940 to the new Interlake Tunnel and Spillway Modification Fund 426-9300-8267-WRA036. The requested actions make it easier for the Agency to track Project funding and expenditures, and facilitate reimbursement of the State DWR \$10 million grant funds.

Prepared by: Cathy Paladini, Finance Manager II, (831) 756-4860

Approved by:

David E. Chardavoyne, General Manager, (831) 755-4860

Attachments:

1. DWR Grant Agreement
2. MCWRA Executed Board Order
3. DWR Grant Executed Resolution
4. Resolution