

**MONTEREY COUNTY WATER RESOURCES AGENCY
BOARD OF SUPERVISORS**

Resolution No. 00- 172 --

A RESOLUTION OF THE BOARD OF)
SUPERVISORS OF THE MONTEREY)
COUNTY WATER RESOURCES AGENCY)
CLARIFYING IMPLEMENTATION OF)
ORDINANCES 3635, 3636, AND 3789)

WHEREAS, On October 6, 1992, the Board of Supervisors of the Monterey County Water Resources Agency enacted Ordinance No. 3635, entitled "AN ORDINANCE OF THE MONTEREY COUNTY WATER RESOURCES AGENCY CONFIRMING APPROVAL OF THE CASTROVILLE IRRIGATION SYSTEM (A SEPARATE PROJECT WITHIN THE SALINAS VALLEY SEAWATER INTRUSION PROGRAM) FOR THE BENEFIT OF ZONES 2A AND 2B, ESTABLISHING ZONE 2B AS A BENEFIT ZONE FOR THE PROJECT, AND APPROVING ASSESSMENTS TO BE LEVIED IN ZONES 2Y, 2Z, AND 2B FOR SUCH PROJECT", and Ordinance No. 3636, entitled "AN ORDINANCE OF THE MONTEREY COUNTY WATER RESOURCES AGENCY CONFIRMING APPROVAL OF THE WASTEWATER RECLAMATION SYSTEM (A SEPARATE PROJECT WITHIN THE SALINAS VALLEY SEAWATER INTRUSION PROGRAM) FOR THE BENEFIT OF ZONE 2Y, 2Z, AND 2B, AND APPROVING ASSESSMENTS TO BE LEVIED IN ZONE 2Y AND 2Z, AND 2B FOR SUCH PROJECT"; and,

WHEREAS, In said ordinances, the Board authorized and directed the levy of assessments in Zones 2Y, 2Z, and 2B to pay operation, maintenance, and debt service for the projects now known as the Castroville Seawater Intrusion Project and the Salinas Valley Reclamation Project; and,

WHEREAS, On November 8, 1994, the Board of Supervisors of the Monterey County Water Resources Agency enacted Ordinance No. 3789, entitled "AN ORDINANCE OF THE MONTEREY COUNTY WATER RESOURCES AGENCY ESTABLISHING WATER DELIVERY CHARGES FOR MCWRA ZONE 2B, AND FOR PROVIDING FOR ANNUAL LEVY AND COLLECTION OF SAID CHARGES"; and,

WHEREAS, In said ordinance, the Board authorized and directed the levy of water delivery charges in Zone 2B to pay operation, maintenance, and debt service for the projects now known as the Castroville Seawater Intrusion Project and the Salinas Valley Reclamation Project; and,

WHEREAS, On July 27, 1999, the Board of Supervisors adopted Resolutions 99-288 and 99-289, directing the General Manager of the Agency, in consultation with the County Administrative Officer, the Treasurer-Tax Collector, and County Counsel, to review and make recommendations regarding issues and circumstances that have arisen since the adoption of the Ordinances 3635, 3636, and 3789; and,

WHEREAS, Since July 1999, MCWRA staff along with other Monterey County staff have met with growers/owners within the Salinas Valley to discuss and develop recommendations for clarifying issues relating to the interpretation of Ordinances 3635, 3636, and 3789.

NOW, THEREFORE, BE IT RESOLVED that the following provisions shall guide implementation of Ordinances 3635, 3636, and 3789:

1. The Monterey County Water Resources Agency (MCWRA) will reduce debt by increments of no less than \$500,000 by first calling Municipal Bonds and then calling the State Revolving Fund Loan with unrestricted monies in Fund 424 and Trustee accounts. Once both these loans are paid in full, the option for calling USBR loans will be reviewed by MCWRA Board of Directors in consultation with growers/property owners from Zones 2A and 2B. The purpose of the review will be to consider retiring the USBR loan. The Board of Directors of the MCWRA will make appropriate recommendations resulting from the review.

Revenue will be collected so that the net revenue to debt service ratio will be maintained at approximately 1.1:1.0 one year after initiation of the USBR loan debt service. This target net revenue to debt service ratio is subject to review at the projects' Financial Plan milestones as described herein. The purpose of the review will be to consider collecting revenues at a higher ratio than approximately 1.1:1.0 for the sole purpose of accelerating debt reduction. The Board of Directors of the MCWRA will make appropriate recommendations resulting from the review.

2. All Consumer Price Index (CPI) increases in assessments collected, starting in FY 2000-2001, will be applied to debt service. Should the total Consumer Price Index (CPI) increase in assessments that are applied to debt service equal total debt service requirements, MCWRA staff along with representatives within Zones 2A and 2B will initiate a review of the project's Financial Plan. The purpose of the review will be to consider collecting additional assessment increases beyond debt service requirements for the sole purpose of accelerating debt reduction. The Board of Directors of the MCWRA will make appropriate recommendations resulting from the review.
3. CPI increases "applied to debt service" is defined as the difference between the total collectable base revenue for 2Y, 2Z, and 2B and the total collectable revenue for 2Y, 2Z, and 2B. Total collectable base revenue is defined as the assessment rate for FY 99-2000, without the applied CPI increases, times the parcel count by classification for 2Y, 2Z, and 2B. Total collectable revenue is defined as the assessment rate for a specific fiscal year, with CPI increase applied, times the parcel count by classification for 2Y, 2Z and 2B. The parcel count is defined as the parcel count in effect in the same fiscal year as the total collectable revenue as defined above for 2Y, 2B, and 2Z.
4. In order to maintain a net revenue to debt service ratio of approximately 1.1:1.0, assessments and water delivery charges must be increased. Assessment increases are limited under Ordinances 3635 and 3636 to the amount of any increase in the CPI as prescribed in those ordinances. It is MCWRA's position that there is no limit under Ordinance 3789 on the increase that can be applied to the water delivery charges, so long as revenues do not exceed the reasonable cost of providing recycled water, including the payment of debt. Therefore,

water delivery charges will be set each year in an amount that, when coupled with full CPI assessment increases, will equal approximately the 1.1:1.0 net revenue to debt service ratio.

5. After depletion of Trustee monies and Rate Stabilization monies the following will occur: (1) MCWRA will not raise water delivery charges by an amount greater than the percentage increase in assessments unless all assessments are raised by the full CPI for the same fiscal year; (2) in any year when the proposed rates for both the water delivery charges and the assessments do not change at the same rate, MCWRA staff along with representatives within Zones 2A and 2B will initiate a review of the projects' Financial Plan. The purpose of this review, and an additional purpose of the review at every review milestone outlined in these recommendations, will be to recommend future adjustments (upward/downward) in water delivery charges and assessments to maintain, to the extent possible the allocation of project costs according to an equitable apportionment between Zones 2A and 2B. The Board of Directors of the MCWRA will make appropriate recommendations resulting from the review.
6. The MCWRA target for ending/beginning fund balances for the combined CSIP funds (Fund 256) and SVRP funds (Fund 257) will be approximately 50% of the total projected operation, maintenance, and debt service amounts for the succeeding fiscal year. This target will be initiated when all Trustee funds and Rate Stabilization funds are depleted. The target of 50% is subject to review at each of the established milestones. The Board of Directors of the MCWRA will make appropriate recommendations resulting from the review.
7. The General Manager of the Agency is directed, in consultation with the County Administrative Officer, the Treasurer-Tax Collector, the County Counsel, and growers/owners of property in Zones 2A and 2B, to review issues as relating to the above recommendations at certain milestones as defined below:
 - A. When the Agency no longer has Trustee funds or Rate Stabilization fund monies available.
 - B. When the MCWRA no longer has Municipal bond debt.
 - C. When the MCWRA no longer has State Revolving Fund loan debt
 - D. When the MCWRA no longer has USBR loan debt.
 - E. When the total CPI increases collected for a particular fiscal year for 2Y, 2Z, and 2B is equal to the total debt service.
 - F. When the percentage of the combined MCWRP 2B assessments and water delivery charges divided by the combined 2Y, 2Z, and 2B assessments plus water delivery charges equal or exceed 60 percent.

In addition to the milestones listed above, assessments and water delivery charges are reviewed annually as part of the development of the Agency budget.

8. The CPI increases on 2Y, 2Z, and 2B assessments will be eliminated once all debt has been retired. The issue of when the base assessments on 2Y, 2Z, and 2B will be eliminated is outstanding and will be subject to review at a minimum at each of the milestones identified above. The Board of Directors of the MCWRA will make appropriate recommendations resulting from the review.

9. With regard to the issue of references on Ordinances 3635 and 3636 in the development of a potable water system to replace domestic water supply wells in Marina and Fort Ord, a review of the ordinances and the administrative record leading to their adoption confirms that such references were intended as recitals only. Neither the ordinances nor the administrative record evidence an intent to fund a potable water system from the assessments levied thereunder, as such a system is not within the description of the projects financed through those assessments.

BE IT FURTHER RESOLVED that the guiding provisions set forth in this resolution are intended to address issues on which Ordinances 3635, 3636, and 3789 are silent; nothing in this resolution is intended to amend, alter or otherwise affect any express provision of those ordinances.

PASSED AND ADOPTED upon motion of Supervisor Pennycook, seconded by Supervisor Potter, and carried this 25th day of April, 2000, by the following vote, to wit:

AYES: Supervisors Salinas, Pennycook, Johnsen and Potter.

NOES: None.

ABSENT: Supervisor Calcagno.

I, SALLY R. REED, Clerk of the Board of Supervisors of the County of Monterey, State of California, hereby certify that the foregoing is a true copy of an original order of said Board of Supervisors duly made and entered in the minutes thereof at page -- of Minute Book 70, on April 25, 2000.

Dated: April 25, 2000

Sally R. Reed, Clerk of the Board of Supervisors,
County of Monterey, State of California

By

Nancy Kuckersbill
Deputy