





TODAY'S ACTION

It is recommended that the Monterey County Water Resources Agency Board of Supervisors and the Monterey County Board of Supervisors Consider:

- a. Receiving a status report on the Pajaro River Flood Risk Management Project (“Project”); and
- b. Approving and authorizing the Chair to sign the Section 221 MOU Agreement and Design Agreement between the Department of the Army and the joint non-federal sponsors (the Santa Cruz County Flood Control and Water Conservation District and Monterey County Water Resources Agency), and associated Certification Regarding Lobbying.



Prior BOD/BOS Action

- In December 2019 the MCWRA BOD received an update on JPA formation and Project Status and directed staff to finalize JPA Agreement
- In January 2020 the MCWRA BOS also received an update on JPA formation and Project Status and directed staff to finalize JPA Agreement
- In May 2020 the MCWRA BOD received a Pajaro River Flood Risk Management Project – Status and Next Steps Memo
- On June 15, 2020 the MCWRA BOD received this report and recommended approval
- On June 22, 2020 Santa Cruz County, Zone 7 BOS to approve Design Agreement, MOU for work preformed prior to agreement, Certification Regarding lobbying, and terms of the generic model Funding Agreement

Financial Impact

- The Design Agreement require a commitment of the necessary cost share
 - The Federal Work Plans identify annual authorizations for funding
 - Design Agreement identifies a 35% cost share to be split evenly between Santa Cruz and Monterey Counties
 - State Subvention Funds, once approved, will reimburse Santa Cruz and Monterey Counties 70% of the NFS cost share amount
- MCWRA cost-share estimated at \$1.27M for Federal FY 20 and FY 21
 - \$300,000 towards cost-share identified in FY 21 budget



Discussion

Pajaro River Flood Risk Management Project Update:

- Governance – JPA Formation
- CEQA Environmental Review
- Project Design
- Project Financing

Discussion (cont.)

- Governance – Joint Powers Authority formation
 - December 2019 and January 2020 BOD and BOS directed staff to finalize terms of JPA Agreement and return in early 2020 with a finalized JPA agreement to be considered for adoption
 - The COVID-19 pandemic caused the sudden inability for executives from candidate member agencies to continue discussions and has introduced new budgetary concerns
 - JPA formation and agreement adoption has been delayed. Project financing and cash flow modeling will help identify the appropriate timing to establish the JPA
 - Monterey County annual shortfall est. at \$900k for operating budget and enhanced O&M

Discussion (cont.)

- It is crucial to form the new agency for several reasons:
 - It aligns and focuses purpose, and telegraphs the importance and priority of the long-term capital and O&M investment
 - Both the State and Federal Government prefer to sign agreements with a single project sponsor
 - The Revolutionize USACE Initiative has identified strong interest in P3 (public-private partnership) implementation strategies to build projects and reduce the agency's project backlog. The USACE considers JPAs as an ingredient to the P3 model
 - A JPA whose geographic boundary encompasses the Pajaro River watershed within the Counties of Santa Cruz and Monterey reduce the number of benefit assessment district votes required to raise capital and/or O&M funds

Discussion (cont.)

- CEQA Environmental Review
 - Scoping period ended March 3.
 - Staff received 23 written comment letters and 5 verbal comments
 - Tribal consultation with the Amah-Mutsun Tribal Band was held and there was a desire to share resources and stay involved in the process to look for opportunities for tribal resource enhancement
 - Staff continues to refine a detailed project description for the EIR, and have developed a draft table of contents, draft vegetation mapping report, and draft wetland delineation.

Discussion

- Project Design - Federal Authorization
 - USACE Director's Report executed on December 12, 2019: federal authorization to rebuild and enhance the existing flood risk reduction facilities on the Pajaro River and Salsipuedes Creek
 - Total Project Cost for First Design Phase \$7.1M
 - Cost share split 65/35 Federal/Non-Federal Sponsor (NFS)
 - NFS cost share split 50/50 between MCWRA and Zone 7 (maximum)

Discussion (cont.)

- Annual Estimates for Design Phase Work:
 - Federal FY2020 Work Plan: \$1.8M in federal investment secured
 - MCWRA share of match is up to \$485,000
 - Federal FY2021 Work Plan: \$2.915M federal funding requested (pending)
 - MCWRA share of match is up to \$785,000
 - Federal FY2022 Work Plan: \$TBD. Anticipated construction General funds in the third year to embark on construction of the first prioritized reach and continue design efforts

Discussion (cont.)

- State Subvention Funds
 - Terms of a Non-Federal Cost Share Report were posted for a 45-day public comment period which ended on April 27th
 - No comments were received
 - Legislative report summarizing the cost-share proposal and demonstrating the project's compliance with CA Water Code requirements for funding eligibility routed to the Director's Office of DWR as well as to the Legislature
 - Routing process will take approximately 4-5 weeks, during which the terms of the funding agreement can be negotiated
 - The funding agreement cannot be executed until program funds have been identified, which may happen in July, but could occur at a later date depending on the bond funding source
 - Reimbursements may take an additional 6-12 months

Discussion (cont.)

- Cash Flow required for MCWRA during federal FY20 and FY21 design phase
 - Federal Match (MCWRA share)
 - FY20-\$485,000
 - FY21-\$785,000
 - Total-\$1.27M
 - Reimbursable under State Subventions (70%)
 - FY20 funds-\$339,500
 - FY21 funds-\$549,500
 - Total-\$889,000
 - Non-reimbursable
 - FY20-\$145,500
 - FY21-\$235,500
 - Total-\$381,000

Discussion (cont.)

- Next Steps to continue progress with USACE:
 - Design Agreement: Describes the financial commitment of the federal government and the non-federal sponsors, who will share in the costs of all requirements needed to complete the preconstruction engineering and design for the first construction contract.
 - Allows the non-federal sponsors the flexibility to accelerate the provision of funds. The option can be useful in cases where federal appropriations slow
 - Allows the non-federal sponsors to provide work-in-kind for materials and services that are integral to the project's design

Discussion (cont.)

- Certification Regarding Lobbying: No Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence persons with decision making authority related to the Project
- 221 MOU for work prior to Agreement: For use if the non-Federal interest intends to provide design work only prior to execution of a design agreement, or a project partnership agreement covering both design and construction
- State Subventions Funding Agreement for review and approval in subsequent meeting

Discussion

- Schedule and Estimated Costs of the Pajaro River Flood Risk Management Project:
 - CEQA Environmental Review
 - Prop. 1E Grant funded until Nov '21, DEIR next FY
 - Project Design
 - \$7.1M through FY22
 - Project Financing
 - Finance and Governance Committee reviewing rate capacity analysis this summer
 - Project Construction
 - Beginning FY22, first phase estimated at \$30M
 - Governance – JPA Formation
 - Annual operating budget \$1.4M, may begin in FY21
 - Ongoing O&M for existing levees
 - \$1.9M/annually; shortfall of \$900k (includes JPA costs)



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