



Legislation Details (With Board Report)

File #:	22-840	Name:	Loan Forgiveness - BOS
Type:	General Agenda Item	Status:	Scheduled PM
File created:	8/31/2022	In control:	Board of Supervisors
On agenda:	9/13/2022	Final action:	9/13/2022

Title: Consider adopting a resolution approving and authorizing forgiveness of the loan of \$950,000 issued to Monterey County Water Resources Agency, financed by Monterey County’s General Fund Cannabis Tax Assignment (BSA 001-3132) for the Pajaro River Flood Risk Management Project Design Phase.

Sponsors:

Indexes:

Code sections:

Attachments: 1. Board Report, 2. 21-405 BOS Resolution, 3. Muscle Wall Cost Analysis, 4. Board Resolution, 5. Presentation Item No. 16, 6. Completed Board Order Item No. 16, 7. Completed Resolution Item No. 16

Date	Ver.	Action By	Action	Result
9/13/2022	1	Board of Supervisors	adopted	

Consider adopting a resolution approving and authorizing forgiveness of the loan of \$950,000 issued to Monterey County Water Resources Agency, financed by Monterey County’s General Fund Cannabis Tax Assignment (BSA 001-3132) for the Pajaro River Flood Risk Management Project Design Phase.

RECOMMENDATION:

It is recommended that the Board of Supervisors of the County of Monterey:

Adopt a resolution approving and authorizing forgiveness of the loan of \$950,000 issued to Monterey County Water Resources Agency, financed by Monterey County’s General Fund Cannabis Tax Assignment (BSA 001-3132) for the Pajaro River Flood Risk Management Project Design Phase.

SUMMARY/DISCUSSION:

The Pajaro River Federal Flood Control Project was built in 1949 by the United States Army Corps of Engineers (“USACE”) and is maintained jointly by the Santa Cruz County Flood Control and Water Conservation District - Zone 7 (“Zone 7”) and the Monterey County Water Resources Agency (“MCWRA”).

The Pajaro Regional Flood Management Agency (“PRFMA”) was formed under the Joint Exercise of Powers Act, Government Code section 6500 *et seq.*, pursuant to a Joint Exercise of Powers Agreement (“JPA Agreement”) dated July 21, 2021, in order to coordinate, finance, acquire, construct, improve, operate or maintain flood management infrastructure on the Pajaro River in Santa Cruz and Monterey Counties. Its Member Agencies are County of Santa Cruz, Zone 7, County of Monterey, City of Watsonville and MCWRA. The PRFMA is the lead local agency to work with USACE in continuing the Pajaro River Federal Flood Control Project (“Project”), which is currently maintained jointly by Zone 7 and MCWRA.

USACE and the non-federal sponsors (Zone 7 and MCWRA) entered into a Design Agreement (“DA”) in May 2021 for the new Pajaro River Federal Flood Control Project (“Project”). The DA estimates a total Project cost of \$7,100,000, cost shares are projected to be \$4,615,000 for the federal government, \$1,342,500

for Zone 7 and \$1,142,500 for MCWRA over three years. Non-federal cost share contributions made by Zone 7 and MCWRA would be eligible for reimbursements by the California State Department of Water Resources (“DWR”) thru the Coast Watershed Funding Agreement and a Subventions Agreement.

On November 16, 2021, Monterey County Board of Supervisors authorized a loan up to \$950,000 over two years to MCWRA to pay its non-federal cost share of the Project with the condition that it will be repaid with reimbursements from DWR. MCWRA borrowed \$658,500 in Fiscal Year 2021-22, and submitted a reimbursement request to DWR in July 2022. A request of the second installment in FY 2022-23 for \$291,500 was submitted to the County by MCWRA on July 7, 2022.

A recent survey of the Pajaro Levee by PRFMA indicates that a portion of the levee crest on the Monterey County side requires restoration, which is estimated to cost approximately \$3.5 to \$4.0 million, assuming construction in 2026. The area that needs crest restoration is upstream of the Project and modeling identifies this as an area of concern. A temporary protective measure within the restoration reach is to install Muscle Wall of 10,510 feet length for the high priority areas. MCWRA, working with PRFMA has secured 1,000 feet of Muscle Wall from DWR. The total estimate of the complete Muscle Wall is \$859,227.53 for materials, and there will be additional cost for storage and labor. Materials will be paid by MCWRA and there may also be additional work costs that will be performed by PRFMA.

PRFMA and MCWRA staff understand this area to pose a potential public safety risk and believe this temporary protective measure will reduce flood risk.

The amount estimated for the Muscle Wall exceeds MCWRA’s Fund 112 (Pajaro Levee) fund balance. The primary funding source of Fund 112 is flood benefit special assessments of Zone1/1A, which pays for routine operations and maintenance activities and is not sufficient to cover unexpected cost such as installation of the Muscle Wall. MCWRA cannot borrow from most other MCWRA funds due to restrictions specific to the MCWRA Zones. The funds that could be utilized do not have sufficient fund balance to pay the remaining amount. Reimbursements from DWR, which was originally intended to repay the County loan is the only possible revenue MCWRA has been able to identify for this purpose.

The survey of the Pajaro Levee by the PRFMA occurred after the building of the County’s Recommended Budget. MCWRA was informed of estimate costs of Muscle Wall on June 22, 2022, which was after adoption of FY 2022-23 Budget. Hence, a request for funding for the project or loan forgiveness was not part of the MCWRA’s budget presentations.

OTHER AGENCY INVOLVEMENT:

MCWRA is working with the PRFMA, Office of the County Counsel, and County Budget Office on the topic. The Budget Committee supported the request of the loan forgiveness at its August 31, 2022 meeting.

FINANCING:

The FY 2022-23 starting balance of Cannabis Tax Assignment (including the use of the assignment as a funding source) is \$2,070,115.50. The balance reflects the amount of \$977,006.50 set aside for the Jail House Addition Change Order No. 440 and the second loan installment of \$291,500 for WRA for the Pajaro Levee Project.

The County’s FY 2022-23 Adopted Budget does not include a re-payment from MCWRA for the loan. The MCWRA Fiscal Year 2022-23 Adopted Budget for Fund 112 includes the planned repayment for \$658,500 to the County. Therefore, approval of the loan forgiveness will not have an impact to the County’s Adopted Budget. The only impact is a lower Cannabis Tax Assignment balance since the loan would be forgiven.

DWR will reimburse MCWRA's non-federal share contributions under the Coast Watershed Funding Agreement that PRFMA has executed with DWR. The first invoice for \$658,500 is scheduled for submission in July 2022 and the second invoice for \$291,500 will be submitted in October 2022. The reimbursements from DWR under the Coast Watershed Funding Agreement are expected within 90 to 120 days after DWR receives the invoices.

Prepared by: Nan Kyung Kim, Finance Manager III, (831) 755-4861
Monterey County Water Resources Agency

Approved by: _____
Brent Buche, General Manager, (831) 755-4860
Monterey County Water Resources Agency

Attachment:

1. Resolution 21-405
2. Muscle Wall Cost Analysis
3. Board Resolution