



Legislation Details (With Board Report)

File #:	WRAG 20-289	Name:	Pajaro Short Term Loan
Type:	General Agenda Item	Status:	Passed
File created:	6/26/2020	In control:	Joint Meeting of the MoCo Board of Supervisors and MoCo Water Resources Agency BOS
On agenda:	7/7/2020	Final action:	7/7/2020

Title: Consider:

- a. Authorizing the County of Monterey to issue a short-term loan, up to \$1,000,000, to the Monterey County Water Resources Agency, contingent upon the Agency signing an Agreement with California Department of Water Resources for reimbursement of the non-federal cost share of the Pajaro River Flood Risk Management Project Design Phase; and
- b. Authorizing and directing the Auditor-Controller to amend the County's Administrative Office 001-1050-CAO017-8038 FY 2020-21 adopted budget to increase appropriations in the amount of \$1,000,000; financed by a release of \$1,000,000 from the Cannabis Assignment fund balance BSA 001-3132 (4/5ths vote required); and
- c. Authorizing and directing the Auditor-Controller to amend the Water Resources Agency's Pajaro River Fund 112-9300-WRA002-8484 FY 2020-21 adopted budget to increase appropriations and revenues in the amount of \$1,000,000 financed by an operating transfer from 001-1050-CAO017-8038 (4/5ths vote required).

Sponsors:

Indexes:

Code sections:

Attachments: 1. Board Report, 2. Pajaro River Flood Risk Mgmt. Project Design Phase Costs, 3. Pajaro River Short-term Loan Resolution BOS, 4. Pajaro River Short-term Loan Resolution WRABOS, 5. Joint Meeting Item No.pdf, 6. Item No. 2 SpJt Meeting Completed Board Order- to send

Date	Ver.	Action By	Action	Result
7/7/2020	1	Joint Meeting of the MoCo Board of Supervisors and MoCo Water Resources Agency BOS		

Consider:

- a. Authorizing the County of Monterey to issue a short-term loan, up to \$1,000,000, to the Monterey County Water Resources Agency, contingent upon the Agency signing an Agreement with California Department of Water Resources for reimbursement of the non-federal cost share of the Pajaro River Flood Risk Management Project Design Phase; and
- b. Authorizing and directing the Auditor-Controller to amend the County's Administrative Office 001-1050-CAO017-8038 FY 2020-21 adopted budget to increase appropriations in the amount of \$1,000,000; financed by a release of \$1,000,000 from the Cannabis Assignment fund balance BSA 001-3132 (4/5ths vote required); and
- c. Authorizing and directing the Auditor-Controller to amend the Water Resources Agency's Pajaro River Fund 112-9300-WRA002-8484 FY 2020-21 adopted budget to increase appropriations and revenues in the amount of \$1,000,000 financed by an operating transfer from 001-1050-CAO017-8038 (4/5ths vote required).

RECOMMENDATION:

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

- a. Authorize the County of Monterey to issue a short-term loan, up to \$1,000,000, to the Monterey County

Water Resources Agency, contingent upon the Agency signing an Agreement with California Department of Water Resources for reimbursement of the non-federal cost share of the Pajaro River Flood Risk Management Project Design Phase; and

- b. Authorize and direct the Auditor-Controller to amend the County's Administrative Office 001-1050-CAO017-8038 FY 2020-21 adopted budget to increase appropriations in the amount of \$1,000,000; financed by a release of \$1,000,000 from the Cannabis Assignment fund balance BSA 001-3132 (4/5ths vote required); and
- c. Authorize and direct the Auditor-Controller to amend the Water Resources Agency's Pajaro River Fund 112-9300-WRA002-8484 FY 2020-21 adopted budget to increase appropriations and revenues in the amount of \$1,000,000 financed by an operating transfer from 001-1050-CAO017-8038 (4/5ths vote required).

SUMMARY/DISCUSSION:

The Pajaro River Federal Flood Control Project ("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 USACE has recently completed the necessary steps for the Project to enter into the Design Phase with the USACE. The Director's Report signed and released on December 12, 2019, by the USACE Headquarters, confirms the federal authorization.

USACE has developed a draft Design Agreement ("DA") that will need to be signed by both non-federal sponsors (Zone 7 and MCWRA). The DA describes the financial commitment of the federal government and the non-federal sponsors, who will share in the costs to complete the preconstruction engineering and design under the first construction contract. The cost-share allocation is 65% federal and 35% non-federal. The non-federal sponsors' share will be split 50/50 between Zone 7 and MCWRA. The DA describes a projected cost estimate of \$7,100,000, the federal government's share projected to be \$4,615,000 and the non-federal sponsor's share to be \$2,485,000, over multiple fiscal years. MCWRA's projected share is \$1,242,500.

The Federal FY20 Work Plan budgetary assignments were finalized on February 10, 2020, and the Project has secured \$1.8 million in federal investment towards PED (Design phase work). This appropriation represents the 65% cost-share requirement of the federal government to support initial design work for the first construction contract. A 35% cost-share allocation will be requested from the non-federal sponsors, requiring \$969,231 in joint non-federal sponsor funding that is expected to be requested by the USACE upon signing a DA. MCWRA's match share will be \$484,616 for Federal FY20, 50% of the \$969,231.

The USACE has proposed another appropriation to the Project for the FY21 Work Plan of \$2.915 million to continue the design phase. If this is awarded (presumably early next calendar year), there will be an additional joint funding request from the non-federal sponsors of \$1.515 million to support the project. MCWRA's 50% match will be \$757,884 for Federal FY21.

The Project is currently in negotiations on a funding agreement for State of California subventions authorization. The proposed cost share from the State is 70% of the non-federal eligible costs. The funding agreement cannot be executed until program funds have been identified, which may happen as early as July 1, 2020, but could occur at a later date depending on the bond funding source. While 70% of all non-federal sponsor payments will be reimbursed under the State subventions authorization (including the federal cost-share payments mentioned above), the reimbursements under this agreement are not expected until late 2020 or early 2021.

The MCWRA total non-federal sponsor cost-share identified in the FY20 and FY21 Work Plans total \$1.243 million. The total amount may be requested by USACE as early as October 1, 2020. The MCWRA FY 2020-21 approved budget identifies total revenues of \$515,000 in Fund 112, which fund current administration,

operations, and maintenance of the Pajaro Levee. MCWRA FY 2020-21 approved budget identified \$300,000 for Project costs, through the use of fund balance. The utilization of fund balance is estimated to result in an FY 2020-21 ending fund balance of \$8,000 in Fund 112. Therefore, the MCWRA will have a shortfall of up to \$1.0 million if both funding requests are received within FY 2020-21. The State subventions authorization that allows the MCWRA to be reimbursed for 70% of the costs is likely to be received between 6 to 12 months after the costs have been incurred and would provide the funding to repay the short-term loan. There will be an amount of approximately \$81,000 that is not expected to be reimbursed from the Subventions Program, and a funding source for the cost will be identified in the FY 2021-22 recommended budget.

This report requests an up to \$1.0 million short-term loan from the County to cover MCWRA's share of non-federal sponsor for the Project as this is the currently anticipated funding shortage. The loan will be repaid to the County at the time the State Subvention Funds are received, which is estimated to be between 6 to 12 months from the time the costs are incurred.

OTHER AGENCY INVOLVEMENT:

MCWRA has been working with Santa Cruz County's Zone 7 to move this project along and both agencies presented this item to the County's Budget Committee at its June 24, 2020 meeting.

FINANCING:

For FY2020-21, MCWRA budgeted \$300,000 in costs associated with the Project as well as staff time. MCWRA is currently underfunded by approximately \$1.0 million to continue working on the Project. If this item is approved, the projected remaining balance in the Cannabis Assignment balance will be \$26,651,977.

Prepared by: Fabricio Chombo, Finance Manager II, (831) 755-4860

Approved by: _____
Brent Buche, General Manager, (831) 755-4860

Attachment:
Draft Resolution