



Legislation Details (With Board Report)

File #: WRAG 20-036 **Name:** Prop 218 Funding Mechanisms Workshop

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Title: Consider funding methodologies and funding mechanisms for a Proposition 218 special assessment to pay for deferred maintenance at the San Antonio and Nacimiento Dams, and spillway rehabilitation or replacement at San Antonio Reservoir.

Presented by: Brent Buche, General Manager
Fabricio Chombo, Finance Manager
Kari Wagner, Wallace Group

Sponsors:

Indexes:

Code sections:

Attachments: 1. Board Report, 2. Proposed Land Use Factors

Date	Ver.	Action By	Action	Result
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Consider funding methodologies and funding mechanisms for a Proposition 218 special assessment to pay for deferred maintenance at the San Antonio and Nacimiento Dams, and spillway rehabilitation or replacement at San Antonio Reservoir.

Presented by: Brent Buche, General Manager
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RECOMMENDATION:

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

Receive a presentation on funding methodologies and funding mechanisms for a Proposition 218 Special Assessment to fund deferred maintenance at the San Antonio and Nacimiento Dams and spillway rehabilitation or replacement at the San Antonio Dam and make a recommendation to the Monterey County Water Resources Agency Board of Supervisors.

SUMMARY/DISCUSSION:

On April 26, 2019, the Monterey County Water Resources Agency (Agency) Board of Directors (BOD) held a special workshop and Agency staff presented an overview of 40 projects and 21 programs that were identified as either unfunded and/or underfunded. The aggregate total of these projects and programs summed approximately \$85 million.

On September 19, 2019, a follow-up joint workshop was held with the Agency Board of Supervisors (BOS) and BOD. Staff brought back the recommendations from the April 26th workshop and further examined the costs of the projects/programs to a revised total of approximately \$145 million. The workshop consensus was that the

Agency should focus on funding deferred maintenance at the San Antonio and Nacimiento Reservoirs due to deadlines set by the Division of Safety of Dams (DSOD) to rehabilitate the spillway at San Antonio by November 2024. Further direction was to conduct a Proposition 218 special assessment election to obtain capital funding for the deferred maintenance, ongoing operation & maintenance of \$1.5 million annually, and a capital reserve of \$1.5 million accumulated over a 3-year period. Once the reserve is fully funded, collection would cease until it is used and then collection would resume. The attendees at the workshop also recommended the deferred maintenance election be kept separate from any elections necessary for the Interlake Tunnel Project (ILT) due to project schedules and DSOD deadlines.

On November 5, 2019, staff recommended to the BOS that the Agency proceed with the consensus expressed at the September workshop to fund deferred maintenance through a Proposition 218 special assessment. A contract with the Wallace Group was approved to help evaluate putting forth a special assessment election in the spring of 2020, which would be required to include the new assessments in the 2020-21 Tax Roll if approved. The BOS requested further clarification on deferred maintenance project priorities, the need and timing for each project, and correlation to the ILT.

On December 10, 2019, staff presented the list of projects totaling \$145 million and prioritized the list based on needs related to functionality of the reservoirs, public and employee safety, and regulatory requirements. At this presentation, staff also provided a schedule of the ILT which estimated a Proposition 218 for this project in the fall of 2020 which was based on a finalized hydrologic model in early 2020.

Since December 2019, Agency staff and Wallace Group staff have been preparing for the Assessment Methodology Workshop. During the month of December 2019, the proposed assessment area was evaluated and in the early weeks of January 2020 a draft methodology was prepared and presented to local city councils and stakeholder groups to publicly present the information and seek input. The methodology developed consists of utilizing the same Land Use Factors as previously used for Zone 2C (Attachment 1) to determine assessment costs across property owners. Additionally, the methodology explores two funding mechanisms: 1) issuing bond(s) to fund total project costs, which would result in a uniform assessment rate throughout the life of the bond (20 or 30 years); or 2) developing a “pay as you go” mechanism in which the Agency would not seek bonds, but over a 6 to 8 year period collect the necessary revenue to fund the projects. The latter alternative has the potential to be implemented in a variety of ways which result in diverse assessments costs to property owners. Lastly, the methodology also addresses the annual ongoing O&M of \$1.5 million and a capital reserve collected over a 3-year period.

OTHER AGENCY INVOLVEMENT:

None

FINANCING:

There is no financial impact for receiving this report. The BOS approved an agreement with the Wallace Group for these efforts and funding for the agreement is included in the Agency’s FY 2019-20 adopted budget.

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Attachments:

1. Proposed Land Use Factors

