



County of Monterey

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

Board Report

File #: WRAG 20-239, **Version:** 1

- a. Approve Amendment No. 2 to the Amended and Restated Water Recycling Agreement with Monterey One Water for a time extension related to the Conditions Precedent for the New Source Water Facilities; and
- b. Request the Chair of the Monterey County Water Resources Agency Board of Supervisors to execute the Amendment.

RECOMMENDATION:

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

- a. Approve Amendment No. 2 to the Amended and Restated Water Recycling Agreement with Monterey One Water for a time extension related to the Conditions Precedent for the New Source Water Facilities; and
- b. Request the Chair of the Monterey County Water Resources Agency Board of Supervisors to execute the Amendment.

SUMMARY/DISCUSSION:

The Monterey County Water Resources Agency (MCWRA) and Monterey One Water (M1W), formerly known as Monterey Regional Water Pollution Control Agency (MRWPCA), entered into an Amended and Restated Water Recycling Agreement (Restated Agreement), which included consideration of the financing, design, construction, operation, maintenance, and replacement of New Source Water Facilities to provide approximately 4,381 acre-feet per year (AFY) of additional recycled water to MCWRA for use in the existing Castroville Seawater Intrusion Project (CSIP), a coastal irrigation project. Per the Restated Agreement, M1W would be provided 4,320 AFY of new source water for Phase 1 of the Pure Water Monterey Groundwater Replenishment Project, approved on October 8, 2015 which has been developed to provide drinking water. The acquisition and treatment of additional flows, including water from the New Source Water Facilities, to the Regional Treatment Plant (Phase II) are not covered by the Restated Agreement and would require a separate agreement.

Portions of the Amended and Restated Water Recycling Agreement applicable to the New Source Water Facilities will not become effective until the following conditions in Section 16.15 are all met:

1. Water Rights for the Blanco Drain and Reclamation Ditch are obtained from the California State Water Resources Control Board.
2. A fully executed, and California Public Utilities Commission approved, Water Purchase Agreement, between MRWPCA, MPWMD, and California-American Water, is approved by the California Public Utilities Commission and executed by the parties hereto.
3. Written finding by the Regional Water Quality Control Board that utilization of the Blanco Drain dry weather flows as New Source Water meets all treatment requirements for the aforesaid dry weather flows.
4. An independent third-party review of proposed capital and operating costs and preparation of an Engineer's Report is approved by the MCWRA Board of Directors and Board of Supervisors.
The costs of the aforesaid third-party review shall be shared equally between MCWRA and MRWPCA.
5. A successful assessment or Proposition 218 process for rates and charges related to the operation and maintenance of the New Source Water Facilities and proportional primary and secondary treatment charges.
6. Inclusion of Salinas Pond Water Return Facilities as New Source Water Facilities requires execution of a

separate agreement between the Parties.

MCWRA and M1W are cooperatively working through the conditions in Section 16.15, but they have not all been completed. The construction of the Blanco Drain and Reclamation Ditch New Source Water Facilities is complete. M1W funded the capital cost of the New Source Water Facilities through grants and a low-interest loan from the State of California, Water Resources Control Board, State Revolving Funds with the first payment due in December 2020.

An Amendment to extend the MCWRA payment schedule until June 30, 2020, was granted in June of 2019 through Amendment No. 1 of the Restated Agreement. Additional time is needed for the conditions in Section 16.15 to be reasonably satisfied, which is estimated to be one year. During this time, M1W has the right to full use of the Blanco Drain and Reclamation Ditch New Source Waters for the Pure Water Monterey Project Groundwater Replenishment Project approved on October 8, 2015, until such time the conditions in Section 16.15 have been satisfied. All other terms and conditions of the Agreement remain unchanged and in full force.

This item went before the Monterey County Water Resources Agency Board of Directors on May 18, 2020 and was approved.

OTHER AGENCY INVOLVEMENT:

Monterey One Water participated in the preparation of Amendment No. 2 and their Board of Directors approved Amendment No. 2 on May 21, 2020.

FINANCING:

There is no increased financing related to the amendment.

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Prepared by: Shaunna Murray, Senior Water Resources Engineer, (831) 755-4860

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

Attachments:

1. Amendment No. 2
2. Amendment No. 1
3. Amended and Restated Water Recycling Agreement
4. Executed MCWRA Board Order