



Board Report

File #: BC 21-001, **Version:** 1

- a. Support authorizing the Auditor-Controller to amend the FY 2020-21 Adopted Budget by increasing appropriations in the County's Administrative Office's Other Financing Uses Budget Unit (001-1050-CAO017-8038) by \$399,499, financed by a release of the Cannabis Tax Assignment, Balance Sheet Account 3132; and
- b. Support authorizing the Auditor-Controller to amend the Water Resources Agency's Castroville Seawater Intrusion Project Operations Fund (131-9300-WRA020-8491) FY 2020-21 adopted budget to increase appropriations in the amount of \$2,640,567, financed by a transfer from 001-1050-CAO017-8038 in the amount of \$399,499, and an increase in estimated revenues in the amount of \$2,241,068.

RECOMMENDATION:

It is recommended that the Budget Committee:

- a. Support authorizing the Auditor-Controller to amend the FY 2020-21 Adopted Budget by increasing appropriations in the County's Administrative Office's Other Financing Uses Budget Unit (001-1050-CAO017-8038) by \$399,499, financed by a release of the Cannabis Tax Assignment, Balance Sheet Account 3132; and
- b. Support authorizing the Auditor-Controller to amend the Water Resources Agency's Castroville Seawater Intrusion Project Operations Fund (131-9300-WRA020-8491) FY 2020-21 adopted budget to increase appropriations in the amount of \$2,640,567, financed by a transfer from 001-1050-CAO017-8038 in the amount of \$399,499, and an increase in estimated revenues in the amount of \$2,241,068.

SUMMARY/DISCUSSION:

On May 19, 2020, the Monterey County Water Resources Agency (MCWRA) Board of Supervisors approved a recommendation for the MCWRA to enter into an agreement with the State Water Resources Control Board (SWRCB) to receive and implement a Proposition 1 Implementation Grant for the destruction of approximately 105 wells in the Lower Salinas Valley within Monterey County. Destroying abandoned or inactive wells in the project area will prevent conduits that allow vertical migration of seawater- and nitrate-contaminated groundwater to drinking water supply wells in the Salinas Valley Groundwater Basin.

Financing for the *Protection of Domestic Drinking Water Supplies for the Lower Salinas Valley* project (Project) totals \$9,125,524 over a three-year period with 54% funded by the State Water Resources Control Board grant, and the remaining 46% funded as a local match that is met through a combination of MCWRA in-kind services totaling \$1,534,495 and additional funds totaling \$2,663,300 over the three-year period as shown in Tables 1 and 2 in Attachment 1. MCWRA will meet the in-kind services amount of \$1,534,495 through work performed by MCWRA staff. The additional funds requirement of \$2,663,300 became a challenge as MCWRA cannot fund these costs. MCWRA originally identified reserves in funds 131, 132, and 134 as possible sources, but utilization of these reserves would require reprioritization of projects identified for funding over the three-year period. These projects include routine maintenance at the tertiary treatment plant and on the Castroville Seawater Intrusion Project (CSIP) Distribution system; cathodic protection; water scheduling improvements to assist with reducing delivery shortages; electrical upgrades; and improvements to keep facilities operable during routine maintenance activities further reducing full shutdowns.

As a result of the \$2,663,300 additional funding requirement, MCWRA reached out to landowners within the project area and local water companies benefitting from the well destruction to offset the \$2,663,300. MCWRA

continues to work with the water companies, but stakeholders have stated that they are already paying assessments. To mitigate impacts to the CSIP, MCWRA pursued a contribution from the Cannabis Assignment. On September 3, 2020, the MCWRA Finance Committee supported a request to the Monterey County Board of Supervisors for a Cannabis Assignment contribution of \$2,663,300 over three years. On September 21, 2020, the MCWRA Board of Directors supported the request to move forward to the Board of Supervisors. On October 7, 2020, the Budget Committee did not unanimously approve the request but agreed to move the item forward for consideration and discussion by the full Board of Supervisors. On October 27, 2020, the Board of Supervisors approved the contribution through a 3-2 vote.

This report seeks the authority to amend the necessary budgets to allow for the transfer of \$399,499 from the Cannabis Assignment to the MCWRA in FY 2020-21 and amend the CSIP Operations budget to increase appropriations necessary to perform the work necessary to begin working on the Project. For the remaining two fiscal years, the approved contributions from the Cannabis Assignment to the MCWRA will be included in the MCWRA's adopted budget.

OTHER AGENCY INVOLVEMENT:

The County Administrative Office - Budget & Analysis Division reviewed this report. The County Cannabis Program reviewed the report.

FINANCING:

The Cannabis Tax Assignment fund balance is \$8,725,973.99 as of December 23, 2020. The FY 2020-21 transfer of \$399,499 will result in an estimated Cannabis Tax Assignment fund balance of \$8,326,474.99. For the remaining two fiscal years, the approved contributions from the Cannabis Assignment to the MCWRA will be included in the MCWRA's adopted budget. The \$2,241,068 in estimated revenues that fund part of the appropriation increase represents a portion of the State's contribution toward the Project. The remaining \$2,686,661 in State reimbursements will occur during the remaining two fiscal years of the Project.

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

Attachments:

1. Tables 1 and 2