



WATER RESOURCES AGENCY

MEMORANDUM

Monterey County

DATE: January 26, 2026

TO: Joint Boards Leadership Committee

FROM: Ara Azhderian

SUBJECT: Dam Ownership Regulatory Program Cost Study

SUMMARY/DISCUSSION:

The Monterey County Water Resources Agency (Agency) owns and operates three dams: Nacimiento Dam in San Luis Obispo County, and San Antonio Dam and the Salinas River Diversion Facility, both in Monterey County. Ownership of these dams entails significant resources to safely operate and maintain them in compliance with state and federal regulations, and the costs of these operations and maintenance measures have increased significantly since the dams' construction. This study will analyze and quantify the Agency's costs associated with planning for and ensuring compliance with existing regulatory regimes into the future, and further will identify a proposed cost recovery mechanism (or mechanisms) to recover the costs of this necessary work.

The Agency currently levies charges related to some elements of dam operations through Zone 2C, which was approved by voters in 2003. Zone 2C was created to fund the operation and maintenance of the existing Nacimiento and San Antonio Dams and Reservoirs to increase storage conservation and groundwater recharge; the modification of the spillway at Nacimiento Dam as necessary to meet Division of Safety of Dams ("DSOD") requirements; and to fund construction of the Salinas River Diversion Facility. This regulatory cost study will recommend whether its proposed cost recovery mechanisms would complement or replace the existing funding mechanism.

The ownership, operation, and maintenance of the Agency's dams are regulated by: the State of California – the Department of Fish and Wildlife, the Department of Water Resources Division of Safety of Dams, and the State Water Resources Control Board – and the United States –the Army Corps of Engineers, the Department of Commerce National Oceanic and Atmospheric Administration's National Marine Fisheries Service, the Department of Interior Fish and Wildlife Service, and the Federal Energy Regulatory Commission. These state and federal agencies are responsible for implementing laws that govern water rights, water quality, dam safety, endangered species, lake or streambed alteration, public trust, and energy generation.

Complying with these state and federal regulations involves significant investment of time and resources that spans the entirety of the organization. Examples of these compliance activities include water quality sampling and stream gaging of Agency's reservoirs, rivers, and the Salinas River Lagoon; operations for environmental management, energy production, and diversion; evergoing inspection and maintenance of facilities to meet existing safety criteria; and periodic capital improvements to meet new, ever-evolving safety standards.

Late last year, Agency staff completed a summary description of various regulatory requirements that stem from the Agency's ownership and operation of its three dams to help inform preparation of a study by Vega Economics of the Agency's regulatory cost. The Regulatory Program Cost Study will be an important analysis of our key regulatory obligations and will help inform ongoing discussions about future cost allocation and recovery methods to support our dam safety and operation's needs. The summary generally focuses on known regulatory requirements related to the state and/or federal endangered species acts, clean water acts, water rights and dam safety standards.

Vega Economics has experience in several practice areas including agriculture, data science and statistics, finance, and environmental and natural resources. Principal for the study will be Dr. Cai, who specializes in agricultural economics, macroeconomics, and finance. He has extensive experience in data analysis and model development for a variety of topics, including utility regulation and macroeconomic forecasting. Dr. Hamilton, Professor of Economics in the Orfalea College of Business at Cal Poly San Luis Obispo, will also be retained for the study. His consulting engagements have included market analysis of regulated industries, economic feasibility studies, and environmental and land use regulation, including groundwater basin management. Following execution of a service agreement, we anticipate the study to be complete within a year.

STRATEGIC PLAN ALIGNMENT:

The proposed Dam Ownership Regulatory Program Cost Study aligns with the Board of Directors adopted 2020 Strategic Plan Goal A, Strategy 3; Goal B, Strategies 4 & 7; Goal C, Strategy 2; Goal D, Strategies 1 & 3; and Goal E, Strategy 4.

OTHER AGENCY INVOLVEMENT:

Joint BOS/BOD Leadership Committee
Finance Committee
Board of Directors

FINANCING:

Funding for the Dam Ownership Regulatory Program Cost Study was considered as part of the \$250,000 dam safety funding strategies authorization recommended by the Board of Directors and approved by the Board of Supervisors in the 2025-26 fiscal-year budget. It is anticipated that approximately half of the \$170,000 Program Cost Study cost estimate will be incurred in the current fiscal-year and the balance in the 2026-27 fiscal-year.

Attachments:

1. Draft Professional Services Agreement including Exhibits.