County of Monterey

Board Report

Legistar File Number: WRAFIN 25-047

Item No.

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

May 02, 2025

Introduced: 4/24/2025
Version: 1

Current Status: Agenda Ready
Matter Type: WRA FInance Item

Consider receiving a summary report to recommend that the Monterey County Water Resources Agency Board of Directors:
a. consider approving Amendment No. 4 to the 2015 Amended and Restated Water Recycling Agreement with Monterey One Water for changes in Section 7 and Section 8, related to Payments, Accounting Systems and Reports; and
b. consider requesting the Chair of the Monterey County Water Resources Agency Board of Supervisors to execute the Amendment.

RECOMMENDATION:
It is recommended that Finance Committee consider receiving a summary report to recommend that the Monterey County Water Resources Agency Board of Directors:

a. Consider approving Amendment No. 4 to the 2015 Amended and Restated Water Recycling Agreement with Monterey One Water for changes in Section 7 and Section 8, related to Payments, Accounting Systems and Reports; and
b. Consider requesting the Chair of the Monterey County Water Resources Agency Board of Supervisors to execute the Amendment.

SUMMARY/DISCUSSION:
The Monterey County Water Resources Agency (Agency) and Monterey One Water (M1W), formerly known as Monterey Regional Water Pollution Control Agency (MRWPCA), entered into an Amended and Restated Water Recycling Agreement (Agreement) on November 3, 2015, to incorporate and restate agreements that had been developed over the years since the establishment of the Castroville Seawater Intrusion Project (“CSIP”), the Salinas Valley Reclamation Project (“SVRP”), and the Salinas River Diversion Facility (“SRDF”). Subsequently, there have been three minor amendments to the Agreement related to the New Source Water Facilities.

In 2023, at the Agency’s request, the County of Monterey Auditor-Controller’s Office engaged GPP Analytics (GPP) to conduct a financial audit (“Audit”) to assess the accuracy and compliance of expenses reported by M1W reported over four fiscal years (FY 2018-19 to FY 2021-22) in accordance with the Agreement.

The Audit's objectives were to evaluate M1W’s expenses for compliance with the provisions of the Agreement. This work was completed through verifying if expenses for the SVRP, CSIP, and the SRDF were reasonably incurred, verifying direct and indirect costs were accurately documented, and assessing financial systems and internal controls. The Audit aimed to verify proper record keeping,

accurate reporting, accurate reconciliations, and compliance with the Agreement overall. The Audit resulted in seven (7) findings and recommendations by GPP to address them.

In September 2024, Agency and M1W formed a workgroup and a leadership committee to address the findings and implement recommendations from the Audit, which includes amending items related to Payments, Accounting Systems and Reports that are included within Sections 7 and 8 of the Agreement.

Amendment No. 4 revises Sections 7 and 8, which address budgets, payments, reports and annual reconciliation process. The proposed changes include requirements of distinct individual funds for CSIP, SVRP and SRDF, performing a separate annual financial audit, separating budgets of operations & maintenance (O&M) and capital improvement projects (CIP), requiring progress reports of O&M and CIP projects, and changing payment methods for CIP projects. The amendment clarifies due dates, roles and responsibilities of both parties so that appropriate financial system and internal controls are in place to effectively record, monitor, and allocate expense in accordance with the Agreement.

OTHER AGENCY INVOLVEMENT:
Monterey One Water participated in the preparation of Amendment No. 4.

FINANCING:
This proposed Amendment No. 4 does not have a financial impact to the FY2024-25 Adopted and FY2025-26 Recommended Budget.

The Amendment 4 will change payment schedules for CIP. Instead of previous two-installment methods, payments for CIP will be issued based on project status and cash flow projections. There is no change to O&M payment schedules.

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Attachments:
1. Amended and Restated Water Recycling Agreement & Amendments
2. GPP Audit Report