



# County of Monterey

**Item No.**

## Board Report

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

**Legistar File Number: WRAG 24-032**

**February 20, 2024**

**Introduced:** 2/13/2024

**Current Status:** Agenda Ready

**Version:** 1

**Matter Type:** WR General Agenda

Consider recommending the Monterey County Water Resources Agency Board of Directors to include funding for Interlake Tunnel Project development, in the recommended budget for fiscal-year 2024-2025.

### RECOMMENDATION:

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

Recommend the Monterey County Water Resources Agency Board of Directors to include funding for Interlake Tunnel Project development, in the recommended budget for fiscal-year 2024-2025.

### SUMMARY/DISCUSSION:

Work on the Interlake Tunnel and San Antonio Spillway Modification project (ILT) began in 2014. To date, \$11.84M has been spent with \$2.58M coming from the County of Monterey and the remaining \$9.26M coming from a grant from the California Department of Water Resources. Design work is 60% complete. Currently, the remaining grant funded deliverables are a Draft Engineer's Report, a Draft Environmental Impact Report, and documentation related to easements, environmental permitting, and water rights change petitions. The deliverables will be completed prior to the current 2024 fiscal-year ending on June 30, 2024. As of now, there is no approved funding to carry on the ILT work. Therefore, staff has developed three potential options for next steps and is seeking guidance from the Agency's Board of Directors.

**OPTION 1:** The Agency could budget \$50,000 from Fund 130 (Hydroelectric Funds) for staff time to pursue alternative funding sources for ILT project and will suspend other work on the ILT until an alternative funding source is identified. The Agency has been working with the Natural Resources Conservation Service to explore potential eligibility for funding under the federal PL-566 Watershed and Flood Prevention Operations (WFPO) Program. WFPO could potentially bring up-to 75% of project funding if several federal criteria are met. Additionally, the Agency would continue to seek state grant funding and advocate for project funding under one of the four state water, flood, and climate change bonds currently being considered by the legislature. This funding represents a minimal level of effort by staff and little consulting support.

**OPTION 2:** The Agency could budget \$150,000 from Fund 130 (Hydroelectric Funds) to continue design, environmental permitting, and water rights change petitions. The funding would also support engagement in a potential NRCS process if the ILT were deemed eligible for PL-566 funding. This funding represents a low level of effort by staff and little consulting support and legal support.

OPTION 3: The Agency could budget \$350,000 from Fund 130 (Hydroelectric Funds) to support work proposed under Option 2 as well as certifying the Final Environmental Impact Report and finalizing the Agency's water rights change petitions. This funding represents a moderate level of effort by staff with some consulting technical and legal support.

RECOMMENDATION: Staff recommends Option 3. The Agency has invested significant time and resources in the development of ILT. While many questions remain, the project, at this stage, retains a positive cost to benefit ratio. Continued investment in the project will allow for more informed decision making about its ultimate fate in the future.

OTHER AGENCY INVOLVEMENT:

County of Monterey, California Department of Water Resources

FINANCING:

All three options could be funded by Fund 130, Hydroelectric Revenue with a range of \$50,000 to \$350,000.

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