Monterey County Water Resources Agency

San Antonio & Nacimiento Dams
Deferred Maintenance and San Antonio Spillway Rehabilitation/Replacement
Proposition 218
Formation of Zone 2D
Today’s Discussion

- Background
- Funding Methodology
- Funding Mechanism
  - Bonds vs Pay As You Go
- O&M and Reserves
- Prop 218 Process and Schedule
Background

- Identified the need for deferred maintenance projects at San Antonio and Nacimiento Dams
  - 18 Projects for San Antonio ($69m)
    - DSOD Report Req. Spillway Repairs ($60m)
      - No Spillway Project Alt ($10m)
    - 15 Projects for Nacimiento ($76m)
  - Total - $145m

- What happens if we don’t receive additional funding?

- Funding Options Workshops – April 26, 2019 & September 19, 2019

- BOS authorized on November 5, 2019 to pursue the formation of an Assessment District through a Proposition 218 vote
Background, continued

- Interlake Tunnel
  - Project continues to move forward
  - Latest estimate, Proposition 218 election fall 2020.
Assessment Area
Funding Methodology

- Same Land Use Factors as Zone 2C used by Monterey County Assessor’s Office
- Land Assessed on Active or Passive Use
  - Factors A&B, Active: Assessed 1.0 Benefit Unit
    - Irrigated Ag, Residential (all), Commercial, Institutional, Industrial
  - Factor C, Passive: Assessed 0.1 Benefit Unit
    - Dry Farming, Grazing, Vacant Lot
  - Factor D, Passive: Assessed 0.01 Benefit Unit
    - River Channels, Lands with Frequent Flooding
  - Factor I, Passive: Land Receiving No Charge
- Same assessment for all subbasins within Zone 2D
### Funding Methodology

- **Total Acreage in Zone 2D**
  - 418,785 acres

- **Equivalent Benefit Units Based on Funding Methodology**

<table>
<thead>
<tr>
<th></th>
<th>Benefit Unit Factor</th>
<th>Approximate Total Acreage</th>
<th>Equivalent Benefit Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Factor A&amp;B</td>
<td>1.00</td>
<td>246,500</td>
<td>246,500</td>
</tr>
<tr>
<td>Factor C</td>
<td>0.10</td>
<td>94,600</td>
<td>9,460</td>
</tr>
<tr>
<td>Factor D</td>
<td>0.01</td>
<td>14,500</td>
<td>145</td>
</tr>
<tr>
<td>Factor I</td>
<td>0.00</td>
<td>50,100</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>405,700</td>
<td>256,105</td>
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<tr>
<td>Still to be Reconciled</td>
<td></td>
<td>13,085</td>
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</tbody>
</table>
Funding Mechanisms

- Maximum Assessment will be based on $145m plus 3% inflation per year and administrative expenses
  - Total Cost: ~$160m
- Bonds vs Pay As You Go (PAYG)
Funding Mechanisms - Bonds

- 20 or 30-year Debt Service (20 years is not recommended)
- Increased Upfront Costs
  - Legal and Bond Counsel Required
  - Cost of Issuance (2%)
  - Required Reserve Account (6%)
  - Capitalized Interest (4%)
- Lower Annual Payment
- Property Owners have option to Pre-pay Assessment
Funding Mechanisms - Bonds

- Annual Debt Service
  - Phase I and Phase II: $12.86 to $10.12m
  - Phase I and Phase II No Spillway Project Alt: $6.64m

- Cost per Benefit Unit (1-acre Active Parcel)
  - Note: These Proposed Assessments Identified are Still Being Refined, Final Assessment Cost Per Benefit Unit May Fluctuate +/- 20%
  - Phase I and II: ~$50 to $39.50 per year
  - Phase I and II No Project Alt: $~26.00 per year
Funding Mechanisms - PAYG

- 8-year Debt Service
- Higher Annual Payments
- Many Options on PAYG Payment Strategies
  - At Minimum, Annualized Revenue Must be Greater Than Annual Anticipated Expenses
  - Year 4 is the Highest Anticipated Expense Year
- The Overall Total Project Cost is Significantly Less than the Bonding Option
- Property Owners have option to Pre-pay Assessment
- Depending on Option, MCWRA Would Receive Interest on Excess Revenue Paid
Funding Mechanisms - PAYG

- Options Evaluated for PAYG Payment Schedule
  - Option 1: Even Payment for 6 Years
  - Option 2: Start High, Decrease Gradually
  - Option 3: Even Payment for 4 Years, Decrease Payment
  - Option 4: Match Revenue to Anticipated Expense
## Funding Mechanisms – PAYG
### Phase I and II Assessments ($)

<table>
<thead>
<tr>
<th>1.0 Benefit Unit</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
<th>2025</th>
<th>2026</th>
<th>2027</th>
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<tbody>
<tr>
<td>PAYG Option 1: Even Payment*</td>
<td>107</td>
<td>107</td>
<td>107</td>
<td>107</td>
<td>107</td>
<td>107</td>
<td>0</td>
<td>0</td>
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<tr>
<td>PAYG Option 2: Start High</td>
<td>125</td>
<td>115</td>
<td>110</td>
<td>100</td>
<td>85</td>
<td>60</td>
<td>30</td>
<td>5</td>
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<tr>
<td>PAYG Option 3: Even first 4 yrs</td>
<td>110</td>
<td>110</td>
<td>110</td>
<td>110</td>
<td>95</td>
<td>55</td>
<td>30</td>
<td>10</td>
</tr>
<tr>
<td>PAYG Option 4: Match Expenses</td>
<td>40</td>
<td>65</td>
<td>140</td>
<td>145</td>
<td>143</td>
<td>52</td>
<td>32</td>
<td>11</td>
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</tbody>
</table>

| Bond Option (30yr) | 39.5 | 39.5 | 39.5 | 39.5 | 39.5 | 39.5 | 39.5 | 39.5 |

*Will generate enough revenue in 6 years, therefore, payments will stop short of 8 years.*
Funding Mechanisms
Bond vs PAYG Summary

- Bond Alternative
  - Payment for 30 or 30 Years
  - Total Project Cost: $257 m for 20 years or $303 m for 30 years

- PAYG Alternative (All Options)
  - Payment for 6 or 8 years
  - Total Project Cost: $160m
Operations and Maintenance Needs

- Current Zone 2C O&M Revenue is Not Sufficient
  - Currently ~$1.2m out of the $3.0m is used for O&M (39.88%)
- Required Additional O&M
  - $1.5m per Year
  - Cost Per Benefit Unit in Year 1: $5.90
  - Cost of Living Adjustments will be Required
### Operations and Maintenance Needs

- Option to remove O&M from Zone 2C and add additional O&M to Zone 2D equivalent to the Zone 2C+Zone 2D Estimates today (Total $2.7m)

<table>
<thead>
<tr>
<th>Subbasin</th>
<th>Zone 2C ($1.2m)</th>
<th>Zone 2D ($1.5m)</th>
<th>Total</th>
<th>Zone 2D ($2.7m)</th>
<th>Delta</th>
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<tbody>
<tr>
<td>Extended Upper Valley</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Above Dam</td>
<td>$3.60</td>
<td>$5.90</td>
<td>$9.50</td>
<td>$10.59</td>
<td>$1.09</td>
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<tr>
<td>Extended Upper Valley</td>
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<td></td>
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<td></td>
<td></td>
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<tr>
<td>Below Dam</td>
<td>$3.86</td>
<td>$5.90</td>
<td>$9.76</td>
<td>$10.59</td>
<td>$0.83</td>
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<tr>
<td>Upper Valley</td>
<td>$3.46</td>
<td>$5.90</td>
<td>$9.36</td>
<td>$10.59</td>
<td>$1.23</td>
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<td>Forebay</td>
<td>$3.60</td>
<td>$5.90</td>
<td>$9.50</td>
<td>$10.59</td>
<td>$1.09</td>
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<tr>
<td>Pressure</td>
<td>$7.60</td>
<td>$5.90</td>
<td>$13.50</td>
<td>$10.59</td>
<td>$(2.91)</td>
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<tr>
<td>East Side</td>
<td>$4.13</td>
<td>$5.90</td>
<td>$10.03</td>
<td>$10.59</td>
<td>$0.56</td>
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<tr>
<td>Arroyo Seco</td>
<td>$1.33</td>
<td>$5.90</td>
<td>$7.23</td>
<td>$10.59</td>
<td>$3.36</td>
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Facility Reserves

- Facility Reserves are Necessary to Assist with Unexpected Emergencies
- Maintain a Reserve Account of $1.5m
- Build it up over 3 years
- Estimate $2.00 per year per Benefit Unit
# Total Annual Cost Summary

## Active Parcels (Factor A or B)

<table>
<thead>
<tr>
<th></th>
<th>1 Acre</th>
<th>0.14 Acre</th>
<th>300 Acre</th>
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<tbody>
<tr>
<td>Deferred Maintenance</td>
<td></td>
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<tr>
<td>30 Year Bond</td>
<td>$39.50</td>
<td>$5.53</td>
<td>$11,850</td>
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<tr>
<td>PAYG Option 1</td>
<td>$107.00</td>
<td>$14.98</td>
<td>$32,100</td>
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<tr>
<td>O&amp;M</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Zone 2D Only</td>
<td>$5.90</td>
<td>$0.83</td>
<td>$1,770</td>
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<tr>
<td>Zone 2C&amp;2D</td>
<td>$10.59</td>
<td>$1.48</td>
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<td>Reserves</td>
<td>$2.00</td>
<td>$0.28</td>
<td>$600</td>
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Prop 218 Process

- Ballots mailed out ~3/30 to all property owners
- Hearing will close 6/9
  - Ballots can either be mailed in or hand delivered prior to the close of the Protest Hearing
- WG will take possession of all ballots, un-opened and tally the results
- Report back to the BOD on 6/15 and BOS on 6/23
- Only ballots returned are counted in the protest hearing
- Protest succeeds if 50% plus $1 of the weighted ballots returned vote NO
Schedule

- Methodology Presentations and Workshops
  - 1/13 thru 2/11
- Assessment Engineer’s Report
  - 1/15 thru 2/20
- Assessment Workshop ~2/20
- BOD Mtg to Authorize Assessment Proceedings
  - 3/16
- BOS Mtg to Authorize Assessment Proceedings
  - 3/24
- Protest Hearing
  - 3/30 thru 6/9