





# 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

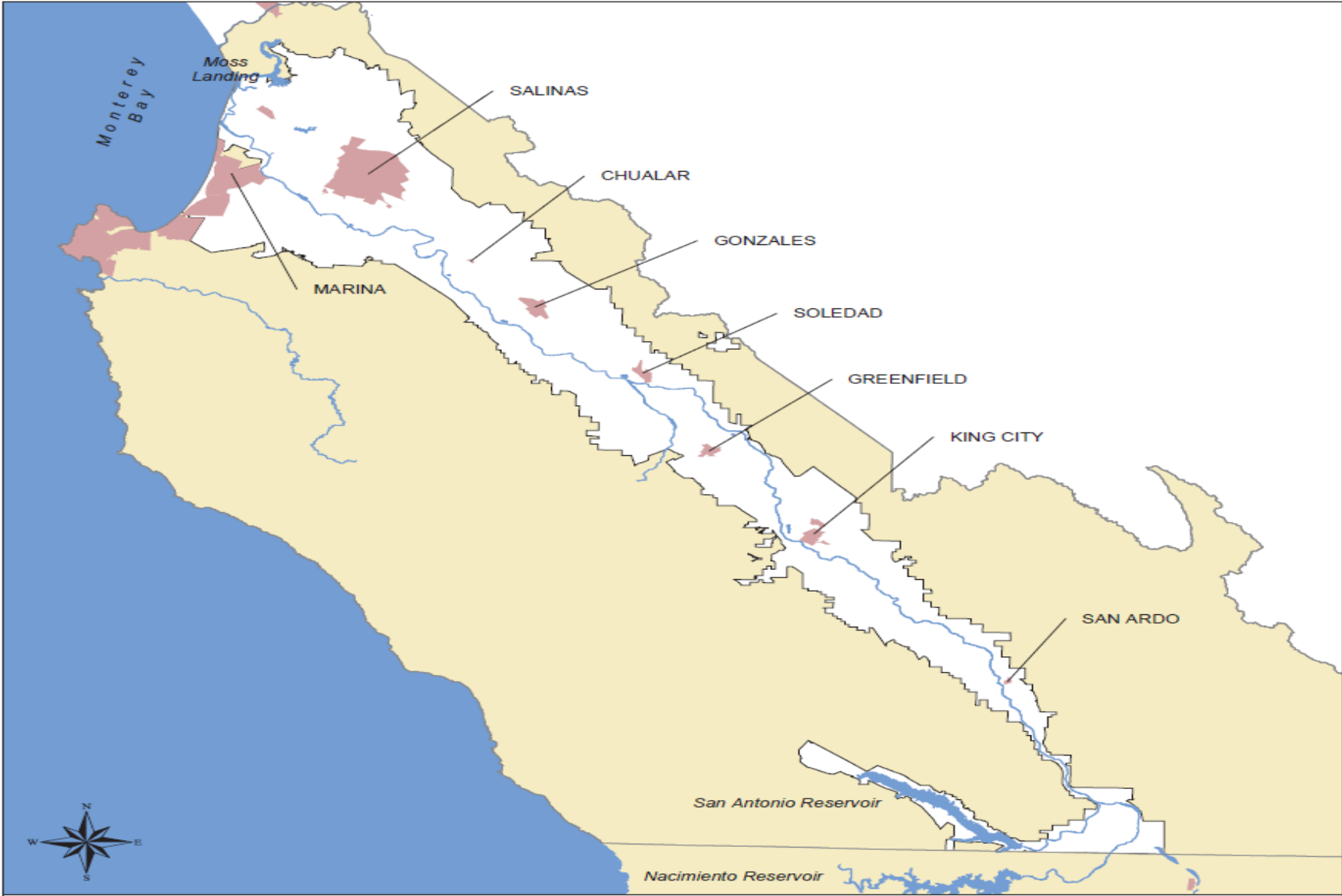


# Background, continued

- 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

	Benefit Unit Factor	Approximate Total Acreage	Equivalent Benefit Units
Factor A&B	1.00	246,500	246,500
Factor C	0.10	94,600	9,460
Factor D	0.01	14,500	145
Factor I	0.00	50,100	0
Total		405,700	256,105
Still to be Reconciled		13,085	







# 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 (\$)

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

Subbasin	Zone 2C (\$1.2m)	Zone 2D (\$1.5m)	Total	Zone 2D (\$2.7m)	Delta
Extended Upper Valley Above Dam	\$3.60	\$5.90	\$9.50	\$10.59	\$1.09
Extended Upper Valley Below Dam	\$3.86	\$5.90	\$9.76	\$10.59	\$0.83
Upper Valley	\$3.46	\$5.90	\$9.36	\$10.59	\$1.23
Forebay	\$3.60	\$5.90	\$9.50	\$10.59	\$1.09
Pressure	\$7.60	\$5.90	\$13.50	\$10.59	(\$2.91)
East Side	\$4.13	\$5.90	\$10.03	\$10.59	\$0.56
Arroyo Seco	\$1.33	\$5.90	\$7.23	\$10.59	\$3.36



# 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)

	1 Acre	0.14 Acre	300 Acre
Deferred Maintenance			
30 Year Bond	\$39.50	\$5.53	\$11,850
PAYG Option 1	\$107.00	\$14.98	\$32,100
O&M			
Zone 2D Only	\$5.90	\$0.83	\$1,770
Zone 2C&2D	\$10.59	\$1.48	\$3,177
Reserves	\$2.00	\$0.28	\$600



# 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

