

Management
Partners



Monterey County Water Resources Agency Annual Strategic Planning Retreat

January 12, 2017

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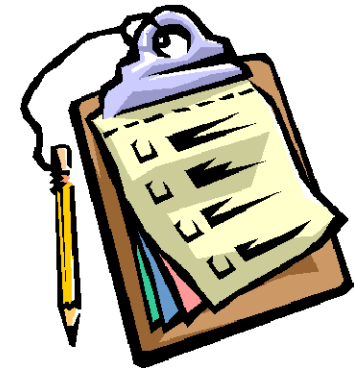
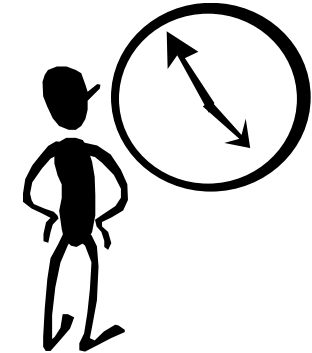


Today's Objectives

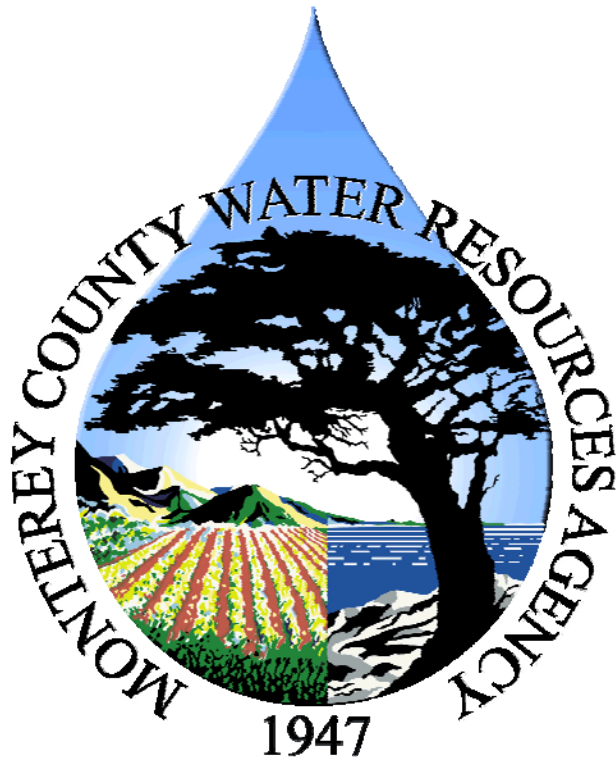
- Understand the Agency's financial position and need for new revenue to support Agency's mission
- Understand options for meeting regulatory requirements related to the Endangered Species Act, along with a strategy for engagement of key partners and funding
- Understand the Agency's future following GSA formation, including steps to be taken over the next year
- Consensus on priorities regarding what will be deferred due to lack of resources
- Commitment to implement the results of this retreat and direct resources toward the priorities

Agenda

- Welcome
- Public Comments
- Review Today's Schedule
- General Manager Comments
- Agency's Purpose and Major Work Plan Items
- Review of Financial Position and Need for New Revenue
- Discuss Agency's Environmental Compliance Needs
- **Lunch**
- Discuss Groundwater Sustainability Agency (GSA)
- Confirm Priorities for FY2017-18 and FY2018-19
- Staying on Course
- Wrap-up



Welcoming Comments



MCWRA
Board of Supervisors
Chair Mary Adams

MCWRA
Board of Directors
Chair David Hart



Comments from General Manager David E. Chardavoyne

- Agency is at a Crossroads
 - Financial sustainability is an issue – new revenue is essential for basic Agency functions and for critical infrastructure
 - Possible arrangement with future GSA-JPA uncertain – funding unknown at this time
 - Regulatory requirements for future projects – need to get a handle on options
- Prior strategic planning retreats have resulted in discussions and decisions, though there has not been enough implementation or follow through

Orientation to Agency's Purpose and Major Issues

- Brief review of mission, vision, guiding principles
- Overview of major responsibilities
- Major priorities – the “big rocks”



Agency Mission

The Water Resources Agency manages, protects, stores and conserves water resources in Monterey County for all beneficial uses, while minimizing damage from flooding to create a safe and sustainable water supply for present and future generations.



Agency Vision



To become a recognized and respected leader in the community we serve through demonstrated knowledge, integrity and the quality of our actions.

Agency's Guiding Principles for Decision Making

1. Project or program is consistent with Agency's core mission.
2. Meets financial, legal, contractual and mandated obligations.
3. Potential costs and benefits, risks and feasibility will be methodically analyzed, using the best available science.
4. Effective communication and outreach will be done to maintain an open and transparent process.
5. Approved priorities will not be beyond Agency financial resources. Financial discipline will be exercised to ensure that funding is available to cover all expected expenditures, including future maintenance and replacement of facilities.

Major Categories of Responsibilities

A. Facilities
Maintenance

B. Compliance

C. Data Collection,
Monitoring and
Reporting

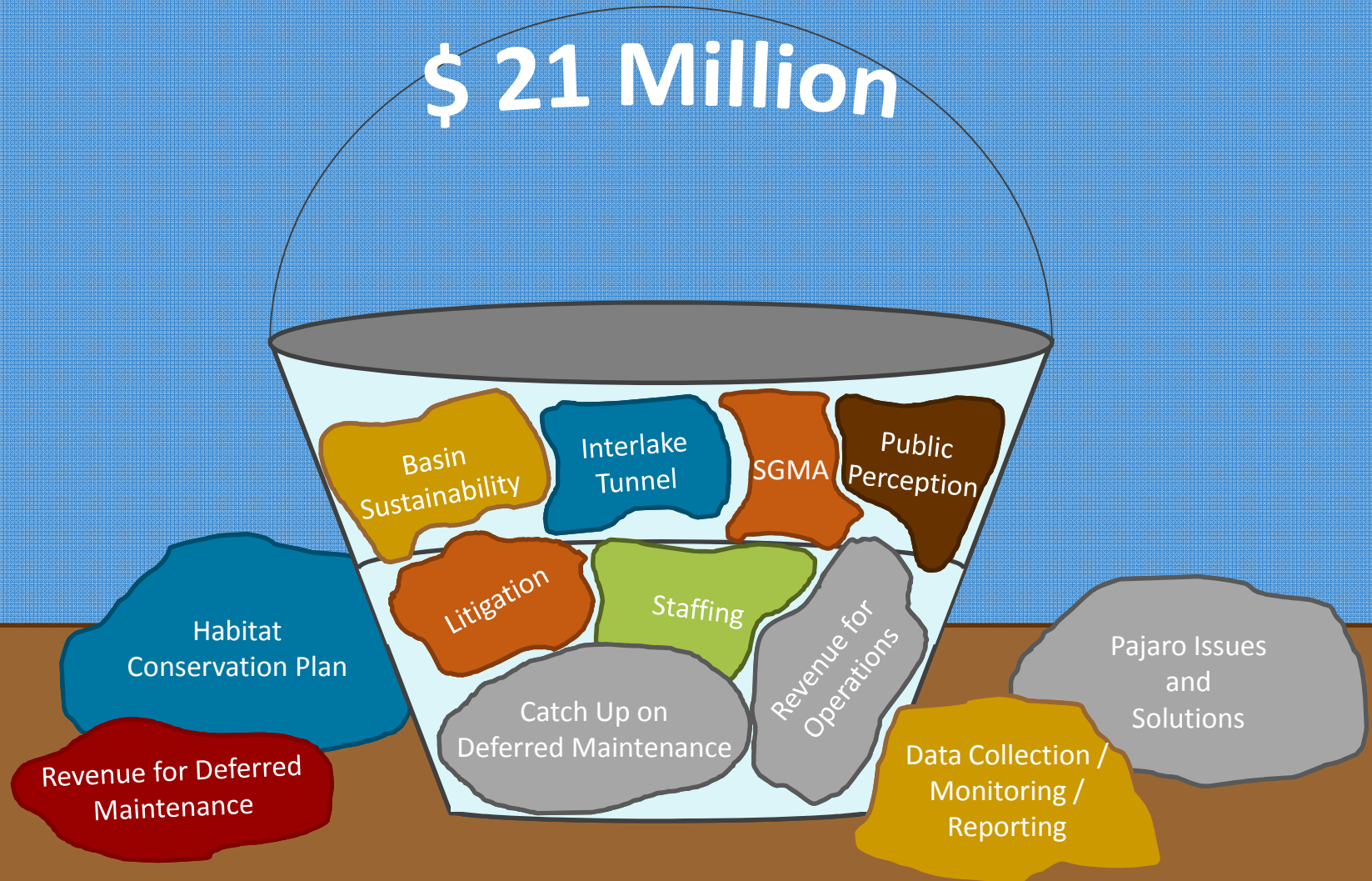
D. Future
Programming and
Planning

E. Administrative,
Management and
Governance

“Big Rocks”

Not everything important will fit into the bucket

\$ 21 Million



Review of Agency's Finances

- Financial status has changed from last year, still Agency
 - Continues to spend more than what is brought in
 - Continues to have expectations that exceed resources
- New sustainable revenue is needed



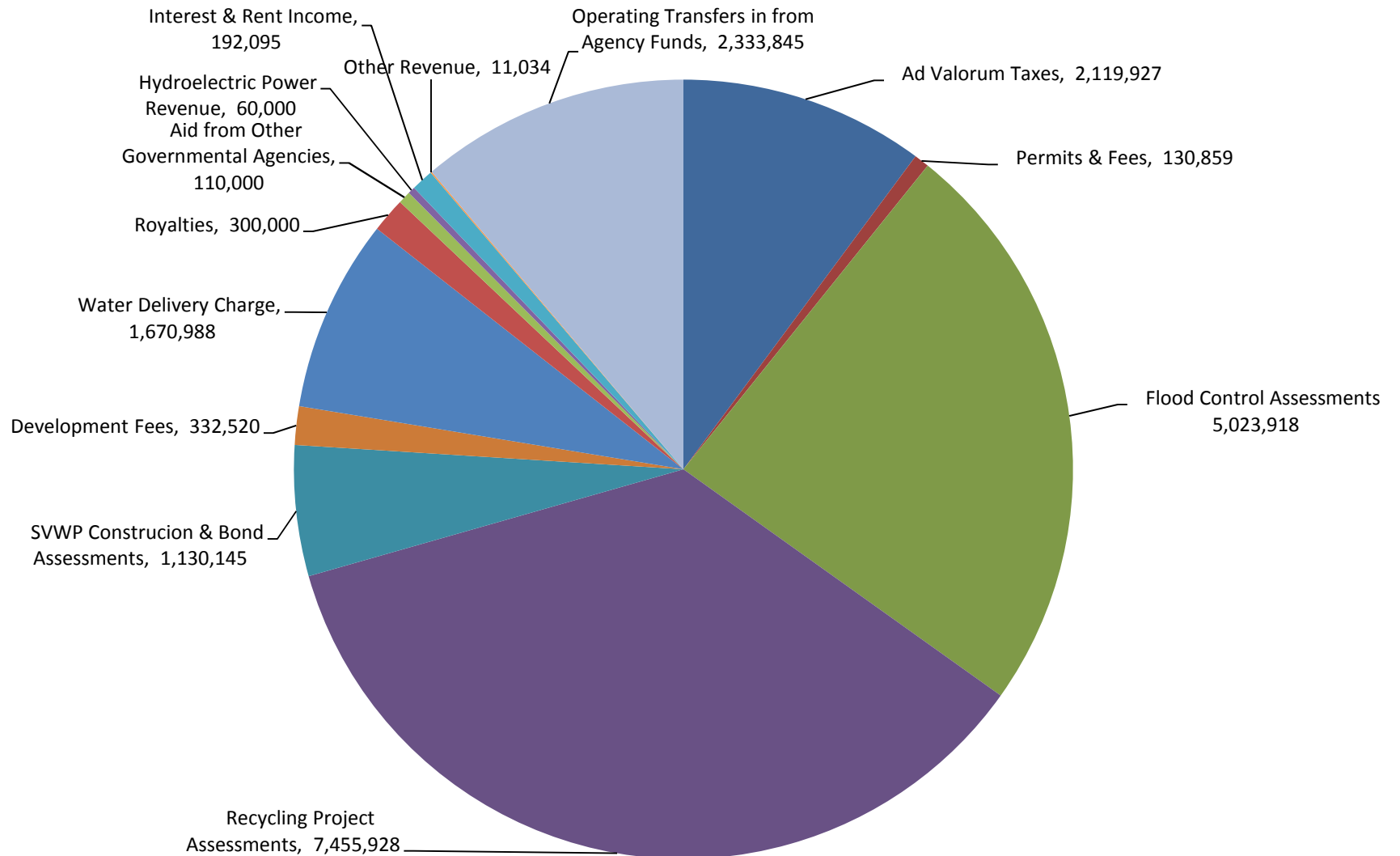
Financial Challenges

(in a nutshell)

- Agency expenditures \$ 23M
- Agency revenue \$ 21M

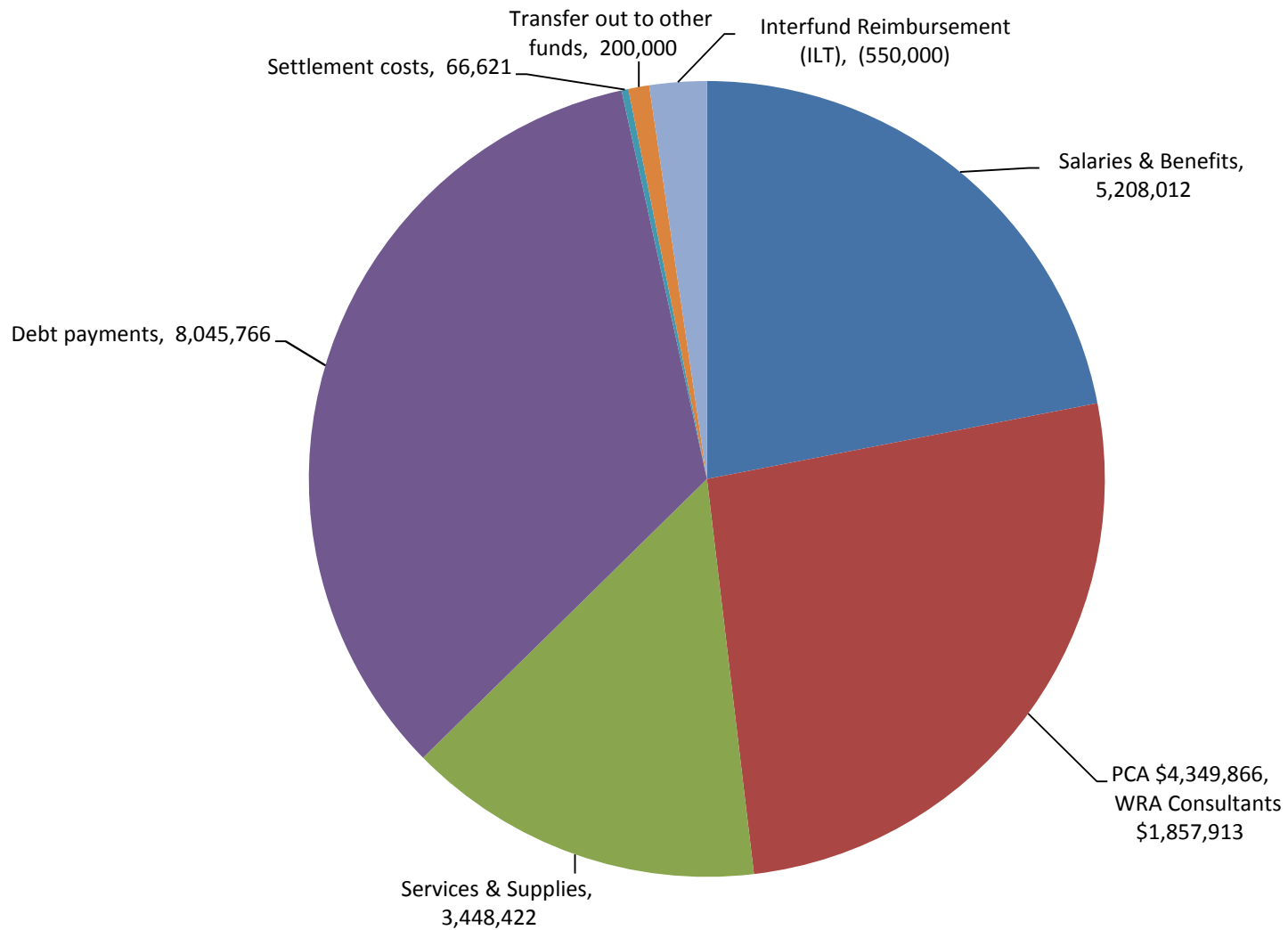
- CSIP \$ 9 M
- Salaries \$ 5 M
- Debt payments \$ 8 M
- Other \$ 1+ M

FY 2016-17 Estimated Revenue



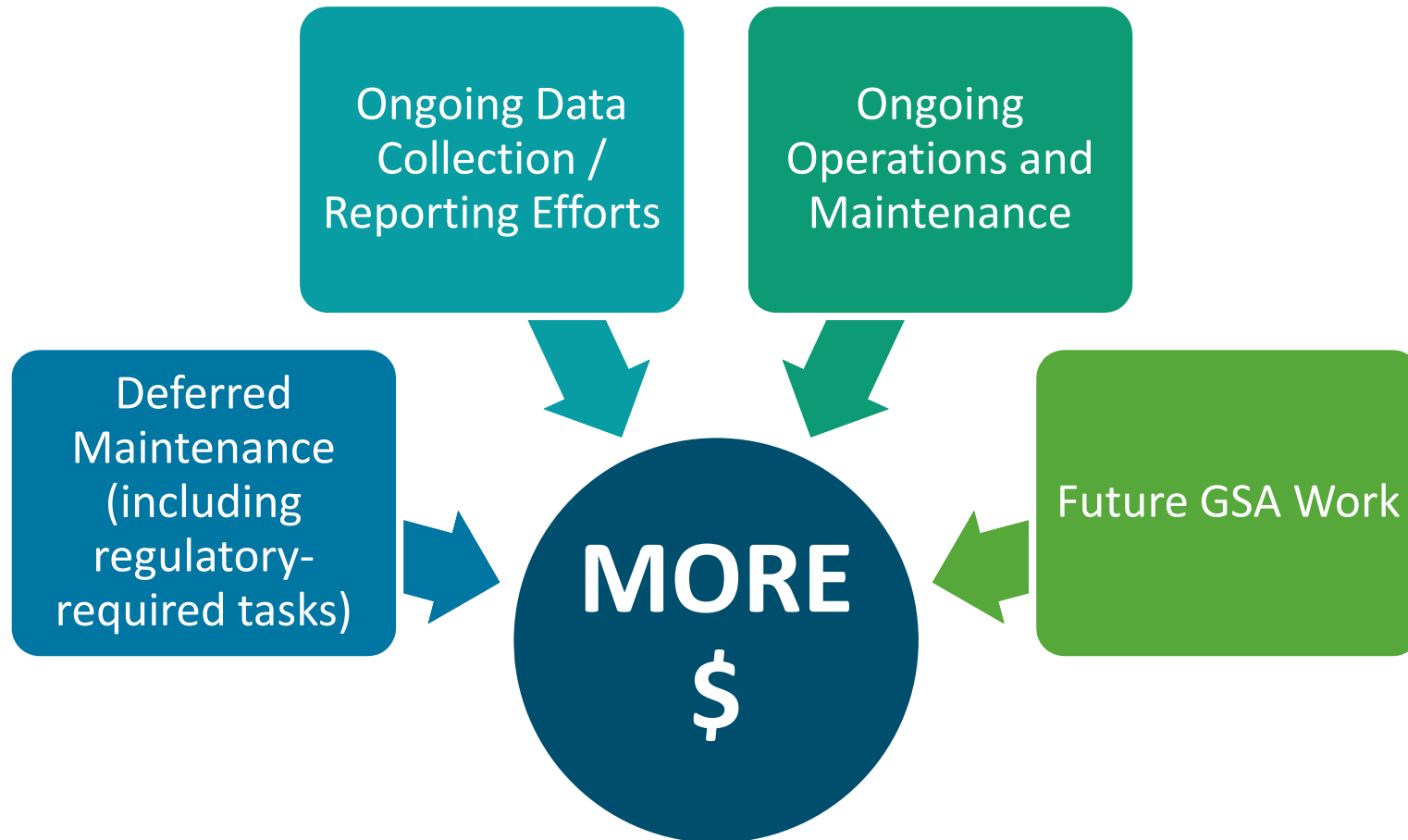
Total Revenue \$20,871,259

FY 2016-17 Estimated Expenditures



Total Expenditures \$22,626,600

New Revenue Needed



Near-Term Revenue Needs

- **Deferred Maintenance Plan**

- Possible solution
 - Monetize some of the Agency's excess land for this use through sale and/or lease
 - Expedites completion of deferred maintenance

- **Overall Agency Financial Sustainability**

- Expenditures continue to outpace revenues
- Focus work done by Agency to what is within budget, or
- Create/develop sustainable revenue sources

Possible Solution for Deferred Maintenance

- Deferred maintenance – backlog of projects
 - Approximately \$5M (no \$\$ available)
 - Possible Solution: ***Sell or lease land to raise \$\$ for deferred maintenance***

Steps

1. Real estate professional analyzes land values
2. Analysis and recommendation provided to Board of Directors (June 2017)
3. Expected timeline for discussion with Board of Supervisors (July 2017)

Revenue Options Identified at 2015 Retreat

- Sale or lease excess land
- Collaborate with interested individuals and agencies/entities
- Countywide tax measure
- Proposition 218 vote – possibly more than one (e.g., operations, projects, GSA costs)
- Grants
- Rates and fees
- Sales tax
- Pump tax/fee
- Sales of imported water and an associated tax
- Pursue legislative options (e.g., reduce matching requirements)
- Future water wholesale opportunities
- Assessments

Collaboration Can Be Successful For Targeted Projects

- Example of collaboration with other entities...
 - Salinas River Stream Maintenance Program
 - Solution bigger than Agency resources
 - Worked collaboratively to get Program running
 - US Army Corp of Engineers, NOAA Fisheries, US Fish and Wildlife
 - California Department of Fish and Wildlife, Central Coast Regional Water Quality Control Board
 - Monterey County Resource Conservation District
 - The Nature Conservancy, Growers-Shippers Association, Salinas River Channel Coalition
 - Program continues to be an example of collaboration
 - Collaboration works though it can be costly

Agency Has Taxing Authority Subject to 218 Vote

- Agency Act, Section 7(j) {plus other locations}:
 - *“Cause taxes or assessments to be levied and collected in order to pay any obligation of the Agency and carry out any of the purposes of this act.”*
- Key Next Steps:
 - Seek stakeholder feedback and support
 - Board of Directors to formally request Board of Supervisors to place a revenue measure before the voters

Next Steps for Revenue Issues

1. Continue with land sale strategy for one-time infusion of cash to solve the deferred maintenance issues
2. Determine stakeholders and Board of Directors interest in new assessment or tax for ongoing O and M/Environmental Compliance/other functions currently not being covered in Agency budget

Discussion

Small Groups

1. Should the Agency actively pursue a tax or assessment measure for ongoing expenses?

These expenses include:

- *Financial sustainability of the Agency's O&M*
- *Environmental Compliance*
- *Other functions currently not covered in Agency budget*

2. What next steps could be carried out?

Small Group Report Outs

Environmental Compliance Needs



Environmental Compliance with Endangered Species Act

Salinas Valley Water Project (SVWP)

- On August 5, 2016 US Army Corps of Engineers reinitiated Section 7 Consultation on the SVWP biological opinion issued NOAA Fisheries
- On September 27, 2016 Agency staff met with Corps and NOAA Fisheries
 - Corps will issue a new 404 Permit with a three-year horizon
 - NOAA Fisheries expects to issue a new biological opinion for the SVWP
 - After three years (est. 2020) – no incidental take coverage

Environmental Compliance with Endangered Species Act (cont.)

Future projects and operations beyond 2020...

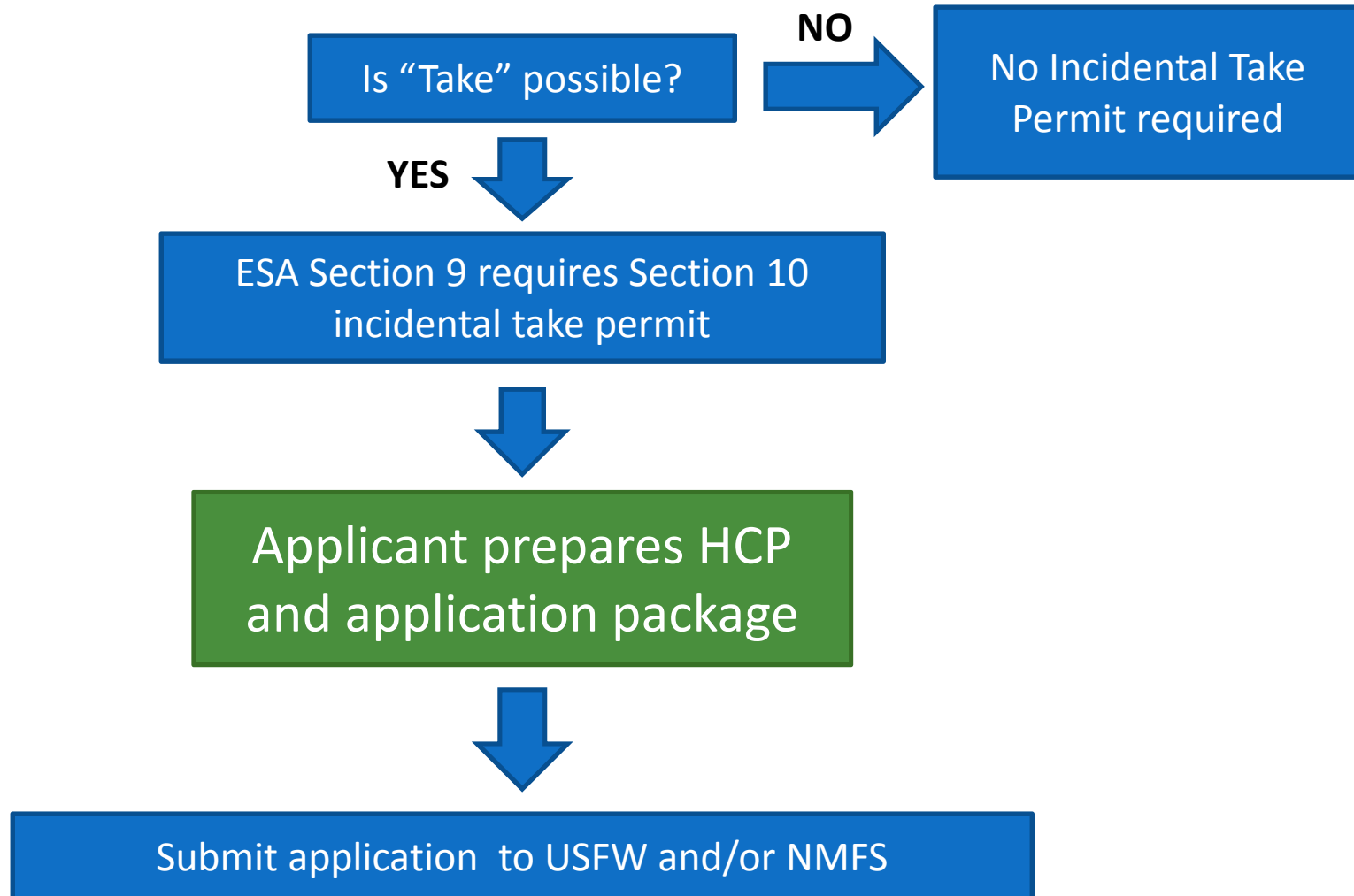
- Agency will need incidental “take” coverage
 - “Take” is defined as harass, harm, pursue, hunt, shoot, wound, kill, trap, capture, or collect any threatened or endangered species. Harm may include significant habitat modification where it actually kills or injures a listed species through impairment of essential behavior (e.g., nesting or reproduction).

Environmental Compliance with Endangered Species Act (cont.)

- Two paths –
 1. Projects and/or Operations with Federal nexus
 - Section 7 = Biological Opinion
 2. Projects and/or Operations without Federal nexus
 - Section 10 = Habitat Conservation Plan
- Beyond 2020 – No Federal Nexus for Current Agency Projects and Operations

Environmental Compliance with Endangered Species Act (cont.)

ITP process for non-Federal projects



Environmental Compliance with Endangered Species Act (cont.)

Considerations for developing an HCP...

- Funding needed for development and implementation
- What geographical area and what activities should be covered?
- What will possible HCP options look like and include?
- What partnerships are critical to development and implementation of the HCP?
- How does the HCP timeline fit into other Agency priorities?
- What species to be addressed?

Benefits of HCP

- Only option for “take” coverage with no federal nexus
- Long-term (10+ years)
- “No Surprises” clause
- Can cover current and future projects and O&M
- Determine geographical scope
- Implementation costs are known
- Streamlines other permit acquisitions

Discussion

Staff Recommendation

1. Complete re-initiation process for SVWP
2. Develop strategy to have HCP in place by 2020

Board of Supervisor and Board of Director Questions and Comments

Public Comments

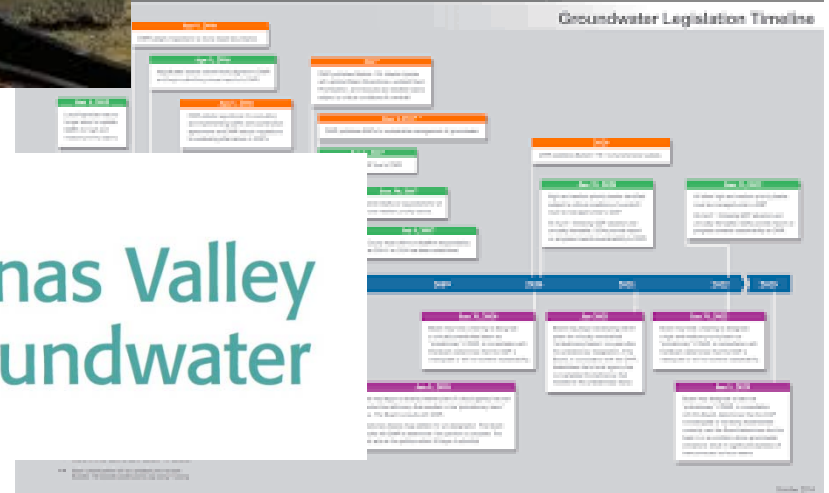
Lunch



SGMA / GSA / GSP...



Salinas Valley
Groundwater



Groundwater Sustainability Agency

- Background
- Current status
 - GSA formation being done through a facilitated process
 - CWG has been meeting for over a year (16 meetings)
 - Proposed solution is a Joint Powers Authority (JPA)
 - JPA made up of GSA-eligible entities
- Question: ***What will be the Agency's role once GSA-JPA is formed?***

SGMA / GSA Time line

June 30,
2017

- Local groundwater sustainability agencies formed.

January
31, 2020

- Groundwater sustainability plans adopted for critically overdrafted basins.

January
31, 2022

- Groundwater sustainability plans adopted for high and medium priority basins not currently in overdraft.

By 2040

- All high and medium priority groundwater basins must achieve sustainability.

Proposed GSA-JPA Board Configuration

**GSA Governing Board Recommendation –
Board of 11 directors representing public and private groundwater interests**

City of Salinas

South County
Cities

GSA-eligible
Agencies

Disadvantaged
Communities/
Small Public Water
Systems

CA Public Utilities
Regulated Water
Companies

Agriculture, 4 seats

Environment

Public Member

Agency is a GSA-eligible Agency, and would rotate with other GSA-eligible agencies

Post-GSA Formation Agency Options

1. GSA-JPA could contract with Agency to perform specific GSA tasks
2. Agency could continue its current work without expansion into GSA tasks

Possible future plan:

- GSA-JPA could take the lead to get legislation for Agency to become the SV GSA
 - Agency BOD would be configured differently via legislation

Agency and GSA Decision Timeline

Short-Term Timeline: January – June 30, 2017

- Determine Agency's role, post GSA formation
- Depending on determination –
 - Document roles and responsibilities
 - Develop resources needs
 - Staffing, funding, equipment, consultants
 - Develop implementation schedule
 - Implement necessary steps

Summary of GSA Issues for Agency

- Agency does not have a permanent seat on the GSA-JPA board. ***Should the Agency continue to put resources into the process without a permanent seat?***
- Agency does not have the resources to support its current mission. ***What new revenue will be made available if the Agency is to carry out a role with the future GSA-JPA?***
- ***What changes are needed if the Agency is to have a major role in serving the GSA-JPA?***

Recommendations Related to Post-GSA Formation

Staff Recommendation

1. Support establishing a Joint Powers Authority (JPA) for the GSA
2. Support the Agency contracting with the GSA-JPA to perform and expand the work the Agency already does that the GSA is expected to do – **sustainable funding will be needed for the Agency to do this work**
3. Support steps to develop a Proposition 218 ballot measure to cover funding the Agency's role related to the GSA-JPA

Discussion

Small Groups

1. Discuss staff presentation
2. What comments to offer the large group

Small Group Report Outs

Setting Priorities

- We can do some things, but we can not do everything
- Spending down our fund balance
- Need to identify and confirm our priorities and stick to them
- Need to be realistic about what programs comprise the Agency's budget
- Need the Board of Directors and Board of Supervisors to be in sync moving forward



Agency-Wide Priorities in Five Categories

A. Facilities
Maintenance

B. Compliance

C. Data Collection,
Monitoring &
Reporting

D. Future
Programming &
Planning

E. Administrative,
Management &
Governance

A. Facilities Maintenance

Project	Unscheduled	FY 2016-17	FY 2017-18	FY 2018-19
A1. Sell or lease land to pay for deferred maintenance		✓	✓	
A2. Implement Nacimiento Maintenance Projects		✓	✓	✓
A3. Implement San Antonio Maintenance Projects		✓	✓	✓
A4. Revise and Award Grazing Leases			✓	
A5. Consider Bryant Canyon Improvements		✓		
A6. Move Forward with Water Recycling Projects (CSIP and SVRP)		✓	✓	✓
A7. Complete Moro Cojo Tide Gate Repairs		✓		
A8. Plan Pajaro Maintenance Projects		✓	✓	
A9. Perform Reclamation Ditch Maintenance	✓			
A10. Implement Maintenance on Additional Water Bodies	✓			

B. Compliance

Project	Unscheduled	FY 2016-17	FY 2017-18	FY 2018-19
B1. Implement Salinas River Lagoon Management and Enhancement Plan		✓	✓	✓
B2. Implement Salinas River Stream Maintenance Program		✓	✓	✓
B3. Carry Out Critical Development Review Projects		✓	✓	✓
B4. Develop National Flood Insurance Program/ Obtain Community Rating System (CRS) Annual Certification		✓	✓	✓

C. Data Collection, Monitoring and Reporting

Project	Unscheduled	FY 2016-17	FY 2017-18	FY 2018-19
C1. Prepare Seawater Intrusion Maps		✓		✓
C2. Complete Basin Investigations		✓	✓	✓
C3. Document Groundwater Extractions (GEMS)		✓	✓	✓
C4. Implement Fish Monitoring		✓	✓	✓
C5. Upgrade Flood Warning System		✓	✓	
C6. Address Fire-related Issues		✓	If needed	If needed
C7. Implement the Monterey Peninsula Water Supply Project (MPWSP) (desalination plant monitoring)		✓	✓	✓

D. Future Programming and Planning

Project	Unscheduled	FY 2016-17	FY 2017-18	FY 2018-19
D1. Participation following formation of a Groundwater Sustainability Agency (GSA)		✓	✓	✓
D2. Plan Interlake Tunnel		✓	✓	✓
D3. Pursue options for Endangered Species Act compliance		✓	✓	
D4. Implement Pure Water Monterey Project		✓	✓	
D5. Conduct Hydroelectric Interconnection Study		✓	✓	
D6. Explore Cloud Seeding		✓	✓	

E. Administrative, Management and Governance

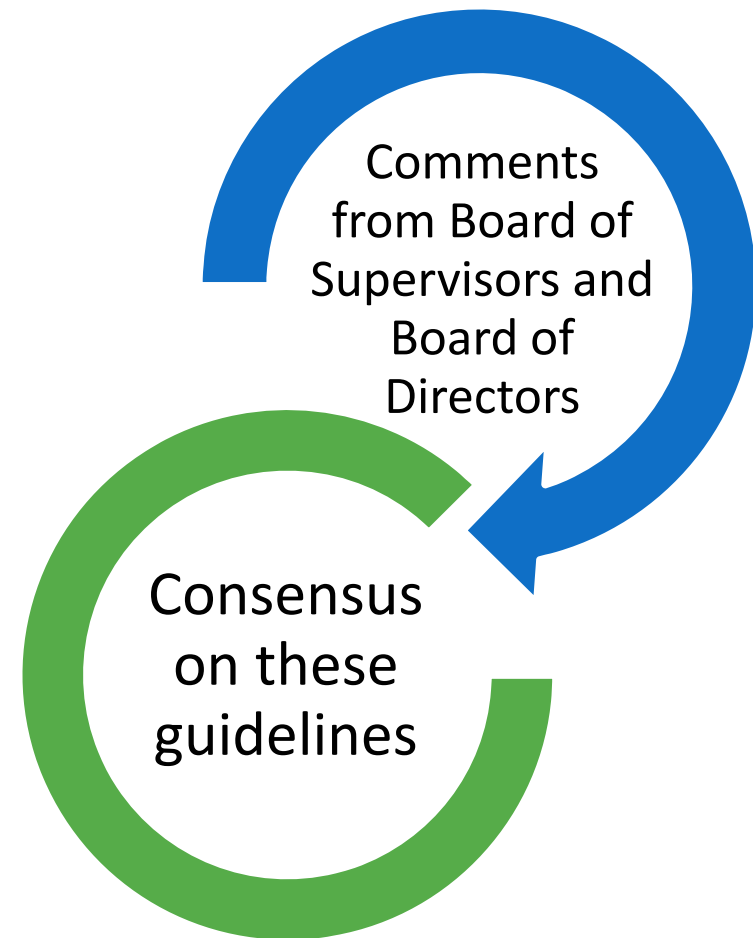
Project	Unscheduled	FY 2016-17	FY 2017-18	FY 2018-19
E1. Implement Critical Finance Projects		✓	✓	✓
E2. Hold Strategic Planning Workshop		✓	✓	✓
E3. Pursue Legislative Agenda and Grants		✓	✓	✓
E4. Make Technology Improvements		✓	✓	
E5. Relocate to Schilling Place Facility		✓	✓ ?	
E6. Develop revenue plan for Agency financial sustainability			✓	
E7. Conduct public engagement		✓	✓	✓

Top Priorities for FY 2017-18 Requiring Major Attention

1. Determine Agency role and tasks following formation of a Groundwater Sustainability Agency (GSA)
2. Pursue options for compliance with Endangered Species Act
3. Sell or lease land to pay for deferred maintenance
4. Complete basin sustainability investigations
5. Develop revenue plan for financial sustainability
6. Conduct public engagement regarding Agency programs
7. Possible litigation issues

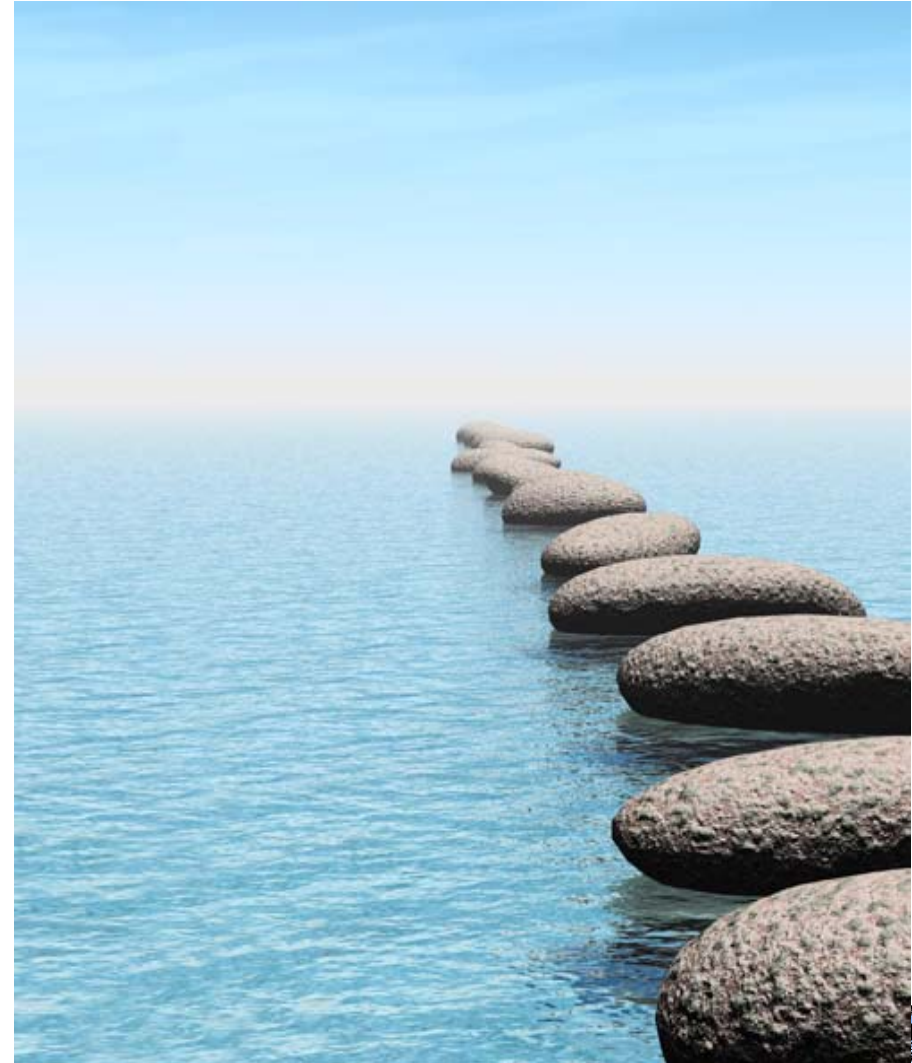
Staying On Course and Sticking To Our Priorities

1. Follow our guiding principles
2. No deviation unless emergency – or unless full impact on priorities agreed upon
3. Staff will provide progress reports
4. General Manager's annual goals and the Agency's goals should be in line with each other



Next Steps

- Notes from the retreat
- Agency next steps
 - Staff will return to Board of Directors with specific action steps and follow-up

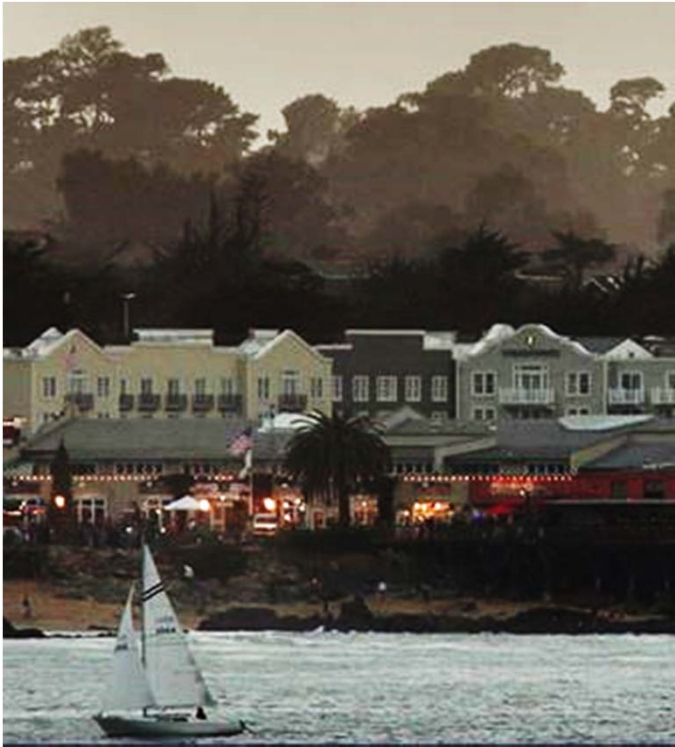


Wrap Up

- Closing Comments
- Evaluation



Thank You!



Management Partners



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