



Legislation Text

File #: 19-1215, **Version:** 1

Chief Administrative Office recommending the Board:

- 1) Receive a presentation on the El Dorado - Sacramento Municipal Utility District (SMUD) Cooperation Agreement special revenue fund as requested at the June 17, 2019, Budget Hearing; and
- 2) Provide direction to staff on the need to return to the Board with any recommended revisions to the current SMUD fund expenditure practices. (Est. Time: 30 Min.)

FUNDING: SMUD Funds.

BACKGROUND

In the late 1950's, the County, the United States Forest Service (USFS), Michigan California Lumber Company (now Sierra Pacific Industries), and the Sacramento Municipal Utility District (SMUD) reached agreements as to the construction and maintenance of the roads within the Upper American River Project (UARP). The UARP is a network of reservoirs and powerhouses located along the American River that contain recreational facilities owned and operated by SMUD. The original agreements did not provide money for maintenance of roads or impact money to the County for the implementation of the UARP. It was thought that the tourism dollars derived from UARP users would offset County costs which ultimately did not occur.

In 2005, SMUD relicensed the UARP through the Federal Energy Regulatory Commission. As part of this relicensing, SMUD negotiated the El Dorado - SMUD Cooperation Agreement with El Dorado County. This agreement was signed by the Board on October 18, 2005 with resolution 312-2005. The agreement specified an initial payment of \$2.6 million, and then an annual payment, from SMUD. The first annual payment was \$590,000 and then increased annually based on an inflation adjustment. The agreement designates that the initial payment was to be "utilized by the County for capital improvements to Ice House Road and other miscellaneous capital projects related to the UARP and its impacts." It states that annual payments are to be used "for the purposes of road maintenance, watershed management, and other miscellaneous activities related to the UARP and its impacts on facilities owned or services provided by, or any resource or other interest within the jurisdiction of, the county." In conjunction with the SMUD agreement, the County signed the El Dorado Intra-County Coordination Agreement which allocated 9/59 of the annual payment to Georgetown Divide Public Utility District (GDPUD), per section 6.3. At the January 8, 2019 Board of Supervisors' meeting, El Dorado County sent a letter to the El Dorado Irrigation District (EID) withdrawing from the El Dorado Water and Power Agency ("EDWPA"), a joint powers authority having found that the El Dorado Intra-County Coordination Agreement had expired with Legistar item 19-0031.

On December 18, 2012 with Legistar Item 12-1398, the Board provided direction to staff regarding

SMUD fund expenditures:

1. GDPUD would be paid 9/59 (\$90,000) of the payment from SMUD derived; and
2. Rubicon Trail Maintenance 20/59 (\$200,000); and
3. Law Enforcement 7/59 (\$50,000); and
4. Reserve Account - e.g. recreational projects, mainline roads, or MOU law enforcement in the UARP 22/59 (\$250,000); and
5. Unassigned in prior Board direction - 1/59.

Following this arrangement, in Fiscal Year 2018-19 the following allocations would have been applied to the \$731,886 annual payment:

- \$111,644 to GDPUD,
- \$248,097 for Rubicon Trail maintenance,
- \$86,834 for Law Enforcement,
- \$272,906 for reserves, and
- \$12,405 unassigned.

On February 14, 2017 the Board of Supervisors provided direction for SMUD funds to be used for annual maintenance of the existing Mosquito Bridge once it is converted for pedestrian and bicycle use (Legistar #17-0159). This maintenance has been estimated at \$13,000 annually and would begin Fiscal Year 2023-24.

DISCUSSION

Payments to GDPUD

With the expiration of the El Dorado Intra-County Coordination Agreement there is not a current agreement with the GDPUD outlining the terms of payment. The El Dorado SMUD Cooperation Agreement does not specify payment to the GDPUD and further states, “the determinations of which specific uses of payments by SMUD under this Article IV are consistent with the limitations of this Section are to be made by the County in its sole discretion.” A new agreement with GDPUD may need to be drafted to continue payments as outlined in prior Board direction, should the Board wish.

Distribution of Annual Funding

Attachment A shows the use of the funds over the past five years and projections for the next two years.

- Per prior Board Direction 34% (20/59) of the annual SMUD payment should be utilized for Rubicon Trail Maintenance. Over the past five years the Parks department has on average used 15% of the SMUD annual payment for Rubicon Trail Maintenance.
- The Sheriff's Department on average expended 11% of the annual payment for Law Enforcement related to the UARP over the past five years, whereas prior Board direction allocates 12% (7/59) of the annual payment to Law Enforcement.
- The Department of Transportation on average expends 24% of the annual SMUD payment. The majority of the Transportation appropriations are Federal Lands Access Program (FLAP) grant matching funds for Ice House Road maintenance and rehabilitation. Phase Two of the Ice House Road Capital Improvement Program (CIP) will begin in Fiscal Year 2020-21. Phase Two will cost an estimated \$2.5 million of SMUD funds.

If spending through fiscal year 2021-22 continues at the same rate and accounting for the Ice House Road Transportation project the SMUD fund balance will be an estimated \$2.1 million in July 2022.

The Department of Transportation has estimated the costs and timeline for future projects that could utilize SMUD Funds. These costs are outlined in Attachment A and total an estimated \$10.67 million by 2030.

Staff is seeking Board direction on drafting a new agreement with GDPUD and on the need to return to the Board with a recommended revision to the expenditure practices for the El Dorado SMUD Cooperative Agreement Special Revenue Fund.

ALTERNATIVES

The Board could not provide new direction on the use of SMUD funds and staff would continue to follow prior Board direction.

PRIOR BOARD ACTION

See Discussion / Background

OTHER DEPARTMENT AND/OR AGENCY INVOLVEMENT

Department of Transportation

FINANCIAL IMPACT

The County received \$731,886 from The El Dorado SMUD Cooperation Agreement in FY 2018-19 and the El Dorado SMUD Special Revenue Fund currently has a fund balance of approximately \$3.2 million. At the beginning of fiscal year 2022-23, with the conclusion of the Ice House Road CIP, it is estimated that the fund will have a fund balance of approximately \$2.1 million. New Board direction for the use of El Dorado SMUD Special Revenue Fund could allow these funds to be appropriated

toward current or future projects or to other services not outlined in prior Board direction.

CLERK OF THE BOARD FOLLOW-UP ACTIONS

None

STRATEGIC PLAN COMPONENT

Good Governance - Strategic Goal 3. "Promote the development of resources to identify and pursue additional revenue" is strengthened by an effort to understand all current funding sources, particularly special revenue funds with an emphasis on analysis of fund balances and expenditure restrictions.

CONTACT

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