



# Agenda Report

**MEETING DATE:** Tuesday, April 26, 2022

**TO:** City Council

**FROM:** PUBLIC WORKS & UTILITIES DIRECTOR DI RENZO  
JACKIE McCLOUD, ENVIRONMENTAL SUSTAINABILITY MANAGER

**SUBJECT:** PROPOSED ASSESSMENT BALLOTS FOR THE PAJARO  
REGIONAL FLOOD MANAGEMENT AGENCY'S (PRFMA)  
OPERATIONS AND MAINTENANCE PROGRAM

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## **STATEMENT OF ISSUES:**

The City serves as a Member Agency on the board of the Pajaro Regional Flood Management Agency (PRFMA) whose mission is to administer projects and programs to reduce flood risks from the lower Pajaro River and its tributaries in both Santa Cruz and Monterey County. On April 13, 2022 the PRFMA Board of Directors adopted a resolution of intent to form an assessment district to provide supplemental funding necessary for the levee operations and maintenance, under which 45 City-owned parcels are proposed to be assessed. The PRFMA Board has initiated a ballot proceeding pursuant to the Benefit Assessment Act of 1982 and the Proposition 218 Omnibus Implementation Act.

## **RECOMMENDED ACTION:**

1. It is recommended that the City Council adopt a resolution to authorize the City Manager Pro Tempore to vote [Yes] on the City's assessment ballots for City-owned parcels for the proposed assessment for levee operations and maintenance and return the ballots to PRFMA prior to its public hearing scheduled for June 8, 2022.
2. It is recommended that the City Council requests the Santa Cruz Metro to vote on the benefit assessment and for the City to pay the assessment on APN 017-011-59 for Santa Cruz Metro, as Lessor to the property, until the year 2100 as part of an existing 99-year lease agreement with Santa Cruz Metro.

## **DISCUSSION:**

The Pajaro Regional Flood Management Agency (PRFMA), a joint powers authority comprised of the City of Watsonville, Santa Cruz County, the Monterey County, the Santa Cruz County Flood Control and Water Conservation District Zone 7, and the Monterey County Water Resources Agency, was formed in 2021 to plan, finance, and manage projects and programs to reduce flood risk in the lower Pajaro River region. PRFMA will do so by implementing flood risk reduction projects, like levee improvements, and by managing levee operations and maintenance on behalf of its member agencies.

After decades of planning and discussion, the US Army Corps of Engineers (USACE), in partnership with PRFMA and the CA Department of Water Resources, is starting to design for a \$400 million Pajaro River Flood Risk Management Project, which will improve levees along the Pajaro River and Salsipuedes and Corralitos Creeks. Upon completion, the project will provide up to 100-year flood protection to Watsonville, Pajaro and surrounding agriculture lands - removing properties from the FEMA Special Flood Hazard Area (SFHA) and ending associated requirements for flood insurance and building restrictions. Moreover, the project also benefits properties that aren't covered by flood insurance as it will significantly reduce the chances of flooding.

The USACE and state have agreed to pay 100% of the project's design and construction costs, a first in California. This equates to an investment of about \$130,000 for every affected property. To receive funding, however, the local community must agree to maintain levees to strict federal regulations, which requires PRFMA to demonstrate that levee operations and maintenance is adequately funded.

PRFMA plans to assume management of levee operations and maintenance on behalf of its member agencies. This is expected to improve compliance with federal regulations, create efficiencies and long-term cost savings, and improve emergency response. The proposed annual budget for levee operations and maintenance is \$3.8 million per year. Existing assessment revenues from Zone 7 (Santa Cruz County) and Zones 1/1A (Monterey County), along with a modest contribution from the City of Watsonville (to oversee levee pump stations), generate \$2.6 million per year, leaving an annual operating deficit of \$1.2 million per year that needs to be recovered. PRFMA is therefore proposing an annual property assessment to close this gap.

Under Proposition 218, only properties that benefit from the PRFMA's levee maintenance activities can be assessed. The benefit to each property is the avoidance of flood damages to land and structures resulting from adequate levee maintenance. Each property's assessment differs based on the benefit received. Individual parcel assessments are calculated based on the following factors:

- Relative flood risk (location of the property)
- Land use type
- Parcel size
- Square footage of any structures
- Average flood depth
- Percentage of the parcel that is flooded

Under California law, only property owners within the proposed assessment district boundary are eligible to vote on the proposed assessment. Each property's vote is weighted by the amount of its proposed assessment. The assessment will not be

imposed if the weighted votes against the assessment are greater than the weighted votes in favor.

The ballots must be returned to the PRFMA prior to its public hearing scheduled for June 8, 2022.

If the assessment is approved, the PRFMA Board of Directors will organize and convene a standing Citizen's Assessment Oversight Committee if the assessment is approved by property owners. The Committee will represent the interests of property owners and residents within the assessment district boundaries in the review of PRFMA's collection and expenditure of assessment district revenues.

If the assessment is not approved by property owners, the community will lose eligibility for state and federal funding and the ability to implement the \$400 million Pajaro River Flood Risk Management Project.

**STRATEGIC PLAN:**

The project is consistent with Strategic Plan Goal:

3-Infrastructure & Environment

**FINANCIAL IMPACT:**

The proposed cumulative annual assessment for all of the City-owned parcels is \$33,352.42 plus a remittance of \$2,271.86 for APN 017-011-59 to Santa Cruz Metro as a lessee to the property until the year 2100 as part of the 99-year lease. The maximum authorized Assessment Rate may be increased in future years by an annual inflationary escalator based on the annual change in the Consumer Price Index, subject to a minimum of 0% and a maximum of 4% in any given year, upon approval by the PRFMA Board of Directors.

**ALTERNATIVE ACTION:**

There are two alternative actions:

1. Direct the City Manager Pro Tempore to vote [No] on the assessment ballots, which could contribute in a majority protest that would prevent approval of the proposed assessment, resulting in the loss of eligibility for \$400 million in state and federal funding.
2. Direct the City Manager Pro Tempore to not return the assessment ballots, which would neither support nor protest the proposed assessment, leaving the decision up to other assessed landowners.

**ATTACHMENTS AND/OR REFERENCES (If any):**

- A. Assessment Ballot and Guide
- B. Preliminary Engineer's Report
- C. Map of City-owned properties that are impacted by the proposed assessment