

EXHIBIT 1-B

BOARD OF SUPERVISORS OF THE MONTEREY COUNTY WATER RESOURCES AGENCY

MEETING: April 19, 2005	AGENDA NO.:
SUBJECT: Consider Management Approach and Governance Structure for Development of Regional Urban Water Supply for Coastal and Northern Communities of Monterey County including Salinas	
DEPARTMENT: Water Resources Agency	

RECOMMENDATION:

It is recommended that the Board of Supervisors consider a management approach and governance structure for development of regional urban water supply for coastal and northern communities of Monterey County including Salinas. The recommended management approach includes the following:

1. Endorse the formation a Regional Urban Water Supply Board consisting of members from the Board of Supervisors, City Councils, and Water and Wastewater Directors
2. Draft an appropriate formation agreement and obtain approval from various councils and boards
3. Work with the COA's office to identify funding for the acquisition of a program management firm to assist with the implementation of a regional urban water supply strategy
4. Continue to collaborate with the multi-jurisdictional senior management working group

SUMMARY:

On November 30, 2004 the Board of Supervisors of the Monterey County Water Resources Agency (Agency) directed the Agency to begin a collaborative process to explore management and governance strategies with a broad cross-section of general purpose governments and water/wastewater service organizations. The Board's direction consisted of the flowing:

1. Initiate and facilitate a regional collaboration process with general purpose governments and water resource and water supply organizations to determine a scope for the project including a discussion of potential management strategies
2. Convene a strategy discussion meeting with the Mayor's Select Committee, and Board of Supervisors Desal Committee
3. Recommend that senior management of the general purpose governments and water resource and supply organizations convene and develop management alternatives
4. Recommend formation of an urban water supply working group consisting of community leadership from North County, Salinas, FORA/Marina and the Monterey Peninsula

Acknowledging that the project must be owned and operated by an organization accountable to the public, this regional effort should be lead by the organization with the appropriate permitting and water resource management responsibility, County of Monterey. The Regional Urban Water Supply (RUWS) Board would be formed to provide the region's key organizations a role in the management of the proposed urban water supply effort (see attached organization chart). The RUWS Board would consist of membership from organizations and agencies referenced above, and would be charged with the developing long-term and short-term objectives for the proposed effort. The RUWS Board would advise the Board of Supervisors on matters pertaining to urban water supply projects.

DISCUSSION:

In September 2003, the California Public Utilities Commission (CPUC) issued a decision closing California-American Water's (CAW) March 1997 application proceeding and directed CAW to file a

new application for the Coastal Water Project (CWP), together with a Proponent's Environmental Assessment (PEA). As part of the CPUC action on application No. 97-03-052, its Office of Ratepayer Advocates, on August 5, 2003, directed California-American Water "to thoroughly explore opportunities for partnerships with other regional entities as it prepares its PEA and to incorporate such partnerships into the project (CWP) if applicable."

As CAW began to move towards developing a water supply solution for the Monterey Peninsula in 2003, the Agency and Monterey County advocated for lead agency status for the project's environmental review process. Following the CPUC's decision to retain lead agency responsibility, the Agency and County continued to look for opportunity to develop a publicly owned regional urban water supply, and were successful by influencing the proposed CWP to consider regional water supply issues with the CPUC. CAW had been focused on solving only water supply needs to offset State Water Resources Control Board Order 95-10 dealing with Carmel River over pumping. As currently envisioned, the CWP has been proposed as a desalination facility in the Moss Landing area, using Duke Power Plant intakes and outfall. Because of the Agency's and County's efforts, the CWP would be a publicly-owned facility configured to provide water to Castroville, the former Fort Ord, and North Monterey County, which begins to address the required regional solution.

As the management working group met to discuss and outline the proposed governance and management options, it was clear that a number of issues needed to be addressed in this collaborative process. Size and scope of effort need to be examined. For example, the Agency's had previously cited any regional urban water supply project must also consider Salinas as another urban area requiring reliable water supply, water allocations for future water to the Monterey Peninsula cities also need further evaluation, and a number of other projects would need to be considered that could be factored into the region's water supply needs. With the number and range of issues under consideration, the coordinated collaborative process took some time to sort out management options that ranged from modifying the Agency's existing governance to forming a new joint powers authority. Guiding principles used throughout the dialog among the managers working group included the following:

- California American Water Company and Pajaro Sunny-Mesa are proposing implementation of desalination plants at Moss Landing, presently neither project fully addresses the range of issues and opportunities as seen by the County, Cities or Water/Wastewater Agencies;
- Water management has historically been focused on the solutions for individual entities, and not on more regional solutions which may be able to provide greater benefits for the whole region;
- There are many water management opportunities that can be undertaken as a region, as opposed to individual jurisdictions where the potential for meaningful long-term solutions is more limited; and
- These discussions would serve as a catalyst for solutions both the near-term and long-term urban water supply challenges.

The structure and form of the proposed management approach includes collaboration with general purpose governments, water and wastewater agencies and the County. It was anticipated that this management framework would take six months to form. Follow-up work with management working group will include formal organization formation agreements, project description and coordination, water service agreements, funding alternatives and project delivery method. Pending determination of the form of project delivery (e.g. design, build own operate transfer vs standard public works design construct operate) CEQA work and permitting will also be considered.

Financing infrastructure projects of this size will also be a key factor to consider. Because of the

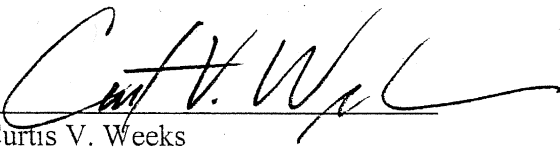
magnitude and number of issues to be resolved, it is premature to select what type of financing will result in the lowest cost project, and hence the lowest delivery cost to consumers. What is clear is that a regional project could provide economy of scale to decrease the cost for all consumers.

Conclusion

It is recommended that the Board direct Agency and County staff to:

1. Endorse the formation a Regional Urban Water Supply Board consisting of members from the Board of Supervisors, City Councils, and Water and Wastewater Directors
2. Draft an appropriate formation agreement and obtain approval from various councils and boards
3. Work with the COA's office to identify funding for the acquisition of a program management firm to assist with the implementation of a regional urban water supply strategy
4. Continue to collaborate with the multi-jurisdictional senior management working group

By taking this initial step with the key organizations discussed above and forming a management and governance structure, the Board of Supervisors will lead the community forward with an implementation strategy to resolve our urban water supply challenges.



Curtis V. Weeks
General Manager

4/13/05
Date

Attachments

1. Regional Urban Water Supply Organization Chart

Regional Urban Water Supply Board Organization Chart

