

EXHIBIT 31-B



FINAL MINUTES

**Ordinance No. 152 Oversight Panel of the
Monterey Peninsula Water Management District
March 15, 2017**

Call to Order The meeting was called to order at 10:30 am in the conference room at the offices of the Monterey Peninsula Water Management District.

Committee members present:

John Bottomley
Paul Bruno
Jason Campbell
Todd Kruper
Christine Monteith
George Riley
John Tilley

MPWMD Staff members present:

David J. Stoldt, General Manager
Suresh Prasad, Administrative Services Manager
Arlene Tavani, Executive Assistant

District Counsel Present:

David Laredo

Comments from the Public:

No comments were directed to the committee.

Action Items

1. Consider Adoption of Minutes of October 31, 2016 Committee Meeting

On a motion by Riley and second of Kruper, the minutes were approved on a vote of 7 – 0 by Riley, Kruper, Bottomley, Bruno, Campbell, Monteith and Tilley.

Discussion Items

2. Review of Revenue and Expenditures of Water Supply Charge Related to Water Supply Activities

Suresh Prasad, Administrative Services Manager/Chief Financial Officer, reviewed Exhibit 2-A, Water Supply Charge Receipts. Stoldt explained that expansions to the California American Water (Cal-Am) distribution system could increase Water Supply Charge receipts. Cal-Am plans to connect the Hidden Hills and Bishop water satellite systems to its distribution system. If those properties were not included in the area responsible to pay the Water Supply Charge, a Proposition 218 process must be completed in those areas in order to collect the charge. At the next meeting an update on this issue will be presented.

Prasad reviewed Exhibit 2-B, Water Supply Charge Availability Analysis. He explained that in the sixth column, FY 2016-2017 through 12/31/2016, the ending fund balance of \$1,850,177 reflects a \$1 million carryover from the previous year budget. Prasad noted that \$800,000 in additional costs for Pure Water Monterey (PWM) have been incurred

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and will be reflected in the end-of-year fund totals.

Stoldt was asked to describe the Drought Contingency Plan listed under Project Expenditures. He explained that the Drought Contingency Plan is funded under a federally matched program through the United States Bureau of Reclamation. Development of the plan includes participation by the Monterey Regional Water Pollution Control Agency, Monterey County Water Resources Agency and the Marina Coast Water District. The Plan focuses on policies and projects that would increase resiliency in a drought. Completion is critical to the PWM project. The cost to the Water District will be \$230,000 over 2.5 years, and the Bureau's portion will be \$200,000. The Salinas Carmel River Basin Study is another federally matched effort underway. The study incorporates the United States Geological Survey 100 year climate change model, and will be used to analyze future water needs based on weather patterns, future demand and water storage. It is expected that federal funding will be available in the future to complete the study, because amounts have been authorized and appropriated, despite that the new federal administration discounts climate change. This study must be completed in order for the District to be eligible to apply for federal funds in the future.

Stoldt was asked about the status of funding for PWM. He explained that a California state revolving fund loan should be issued in May 2017 for the project. Pre-construction costs and construction costs incurred after March 9, 2017 could be paid from the loan. However, if the project cost is higher than approved by the California Public Utilities Commission, the Water District may not be fully reimbursed for the pre-construction costs. To date, the Water District has borrowed from its internal funds to cover PWM expenditures. If revolving loan proceeds cannot be used, one option would be to utilize the Water Supply Charge to reimburse those internal funds.

In regards to the future of the Water Supply Charge, Stoldt stated that it is security for the Rabobank loan; therefore, the charge should not be sunset until that loan is paid off. The Water Supply Charge is also needed to pay Aquifer Storage and Recovery (ASR) project expansion costs. The user fee was originally used to pay for ASR expansion, but after the Water District was denied the user fee, money was borrowed from other internal funds to cover the cost. Those costs could be reimbursed from the Water Supply Charge. It could also be used to pre-fund the Rabobank loan. Now that the Water District is again able to collect the user fee, it will take a year to determine how much money will be received. After another year, the Board of Directors could determine the future of the Water Supply Charge. Water District Counsel explained that an alternative to ending the Water Supply Charge would be to suspend it for a period of time and then resume collection at a later date. Some committee members expressed the opinion that payment of the Rabobank loan should be a priority

The committee asked about funding for water supply alternatives, should Cal-Am's desalination project be delayed or not approved. Some of the comments were: (a) If the Los Padres Dam and Reservoir was dredged to create additional storage, there may be no need for a desalination project. (b) The Water District could purchase Rana Creek Ranch in Carmel Valley; it is geologically separate from the Carmel River basin. The ASR project could be enlarged to utilize that area for storage. Stoldt responded that production from ASR would be limited by Cal-Am's well capacity and water treatment

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capacity. He stated that the Water District is reviewing increasing ASR capacity through utilization of the Tularcitos Aquifer for storage. The Water District has also developed preliminary costs related to the DeepWater Desal project. District Counsel noted that the Water District does have a water right on the Carmel River that could be used if additional storage was created

Other Items

3. Update on District User Fee and CPUC

Stoldt reviewed a PowerPoint that can be viewed on the Water District website. One comment from the committee was that there may be opposition to the idea of suspension and later resumption of the Water Supply Charge.

4. Water Supply Project Update

Stoldt reviewed a PowerPoint that can be viewed on the Water District website. The committee asked about the possibility of using the Water District's existing water right on the Carmel River. Stoldt explained that the 16,000 acre feet of water rights could be lost in 2020 if a location for storage is not developed. Some options would be ASR expansion, dredging the Los Padres Reservoir, or installation of a rubber dam. It will not be possible to obtain new permits for the previously planned New Los Padres Dam and Reservoir due to concerns about steelhead passage to the ocean.

Adjourn: The meeting was adjourned at 12:24 pm.

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