



2010 ANNUAL REPORT

California Government Code Section 118-350 requires that the District annually prepare a written report upon the activities of the District in the protection and augmentation of the water supplies, and specifies what information shall be included.

ACCOMPLISHMENTS

- Recharged 1,111 acre-feet of Carmel River Basin water into the Seaside Groundwater Basin at the MPWMD Water Project 1 site during this last winter season. This water was stored temporarily and extracted for community water supply use later in the year.
- Successfully rescued over 3,800 wild steelhead from drying reaches of the Carmel River last summer. The fish were placed into permanently wetted river and lagoon locations, and into the MPWMD Sleepy Hollow Steelhead Rearing Facility, where a record-setting 86% survival rate was achieved this past year.
- Completed a ten-year summary analysis of the MPWMD's Carmel River bioassessment program. This program monitors the ongoing impacts to the food chain for the Carmel River steelhead population.
- Lead a cooperative interagency effort to estimate the steelhead rearing population in the Carmel River Lagoon. The lagoon steelhead population has been at risk recently due to the presence of predatory striped bass fish.
- Resolved protests of water right permit for Water Project 2.
- Received preliminary notice of \$1 Million Integrated Regional Water Management planning grant. Grant was confirmed in January 2011.
- Received tentative notice of \$6 Million Integrated Regional Water Management implementation grant. This grant will support \$25 Million in regional water related projects.
- The highly successful MPWMD-administered Rebate Program (a joint partnership with California American Water and Seaside Municipal Water District) processed 2,227 applications and issued \$68,884 in Rebates for savings of 63 acre-feet in 2010.
- Staff conducted over 1,600 inspections of properties within MPWMD to verify compliance with District Regulations.
- The District's Conservation Regulation (Regulation XIV) underwent a thorough revision for the first time since 1987.
- The new and comprehensive database system was launched in the Water Demand Division to combine the permits, conservation and rebate databases into one Windows-based system.

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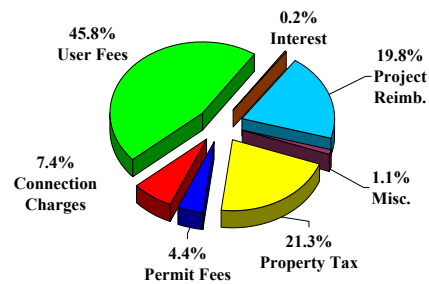
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FINANCIAL ANALYSIS

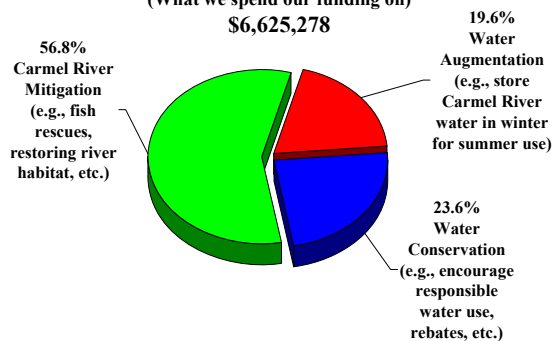
Total revenues received in Fiscal Year 2009-10 were \$6,294,695 while expenditures totaled \$6,625,278. The difference of \$330,583 came from funds that were accumulated in the General Operating Reserve in previous years. As of June 30, 2010, a balance of \$937,688 remained in the General Operating Reserve.

The budget for Fiscal Year 2010-11 anticipates revenues of \$9,975,800 and expenditures of \$10,590,100. The difference of \$614,300 is being used out of the General Operating Reserve to fund a portion of the amount budgeted to complete Water Project 1. The total amount budgeted for completion of Water Project 1 is \$1,095,600, while \$2,435,200 is budgeted for work on Water Project 2. The budget also includes \$150,000 in funding for preliminary work on Water Project 3. Water Projects 1 & 2 are wells and appurtenances for underground water storage and recovery; while Water Project 3 is a proposed desalination plant.

FY 2009-10 Revenues
(Where we get our funding)
\$6,294,695



FY 2009-10 Expenditures
(What we spend our funding on)
\$6,625,278



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PRESENT AND FUTURE WATER REQUIREMENTS

Present Water Requirements: In Water Year 2010, California American Water (CAW) produced approximately 12,400 acre-feet (AF) of water to satisfy water demand, 8,650 AF from the Carmel River, 3,700 AF from the Seaside Basin and 50 AF from other sources. CAW is the largest water purveyor in the District. District-wide, water produced by all water distribution systems and private wells totaled approximately 16,500 AF.

Future Water Requirements: In 2006, District staff estimated that approximately 4,500 acre-feet per year (AFY) of new water supplies would be needed to meet future CAW water requirements within the District. This estimate was based on general plan build-out conditions provided by each of the jurisdictions within the District and included a 20% contingency factor. This estimate has been questioned and is scheduled to be reviewed in Calendar Year 2011.

Available Water Supplies: Presently, approximately 13,760 AFY of water are available in the Carmel River and Seaside Groundwater Basins to serve CAW customers within the District. Similarly, approximately 4,740 AFY of water are assumed to be available to serve non CAW users in the District. However, because of legal and regulatory constraints, the amount of water available to CAW in the future will be reduced by 8,610 AFY and the amount of water available to non CAW users will be reduced by approximately 200 AFY. This calculation assumes that CAW will retain rights to produce 3,376 AFY from Carmel River sources, 1,474 AFY from Seaside Groundwater sources, and receive 300 AFY from the Sand City Desalination Facility.

Based on actual water usage during the 2001-2010 period, District staff now estimates that approximately 9,750 AFY of new supplies would need to be developed to replace existing unpermitted unlawful diversions from the Carmel River and production in excess of adjudicated rights in the Seaside Groundwater Basin. This updated estimate does not include adjustments for historical weather conditions or new supplies for non-CAW water users in the Seaside Groundwater Basin. In addition, the updated estimate has been adjusted to reflect the corrected storage capacity in Los Padres Reservoir that was measured in 2008.

Requirements for Future Capital Improvements: A number of water supply alternatives have been proposed by the District, CAW, and others to address the present and future water needs in the District. On December 2, 2010, the California Public Utilities Commission (CPUC) approved the proposed Regional Water Project and associated Water Purchase Agreement between CAW, Marina Coast Water District (MCWD), and Monterey County Water Resources Agency (MCWRA). Under this agreement, the Regional Water Project would cost up to \$404,500,000 to construct. In addition, annual operations and maintenance costs are estimated to range between \$12,900,000 and \$14,300,000. All of these costs would be recovered through water rates.

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PRESENT AND FUTURE WATER REQUIREMENTS (Continued)

Requirements for Operation and Maintenance: Updated costs for operation and maintenance of the proposed Regional Water Project are being developed and will be subject to CPUC review.

METHODS AVAILABLE FOR FINANCING

The District has historically paid for costs associated with water supply projects on a pay-as-you-go basis with the majority of the funding coming from user fees, the District's largest and most fluid revenue source. The District also has a \$1.5 million line of credit to provide additional funding for preliminary costs of current and future potential water supply projects. Possible sources of funds to pay for actual construction of future water supply projects include ongoing revenue increases, new revenue categories, grants, bond financing and user fee increases. Actual funding sources would be dependent on the type of project, the amount of funding needed and other variables.

GROUNDWATER CHARGE

Groundwater Zone: In June 1980, the District Board approved formation of a groundwater charge zone including all District territory, except portions of the District lying within the City of Sand City. The District-wide groundwater zone was formed to provide the legal basis for a comprehensive well-monitoring program consisting of well registration, well metering, and water production reporting. Formation of the groundwater charge zone was not intended to generate revenues and it was acknowledged that no groundwater charge would be levied for the production of any naturally occurring groundwater.

Accordingly, it is recommended that no groundwater charge be levied in any zone of the District during Water Year 2011.

PROPOSED RATES

The District does not propose to levy any agricultural water or other non-agricultural water charges in Fiscal Year 2011-12.