EXHIBIT 1-A



July 2012

ASR Update

Monterey

PENINSULA

MANAGEMENT DISTRICT

The injection season for aquifer storage and recovery came to a close May 31. For Water Year 2012, the District was able to inject 131 acre feet of Carmel River water for storage. The stored water will be used this summer as demands go up and the river dries.

Preliminary work is underway at the Water Project 2 ASR site at Seaside Middle School to prepare for construction of the planned second well, ASR-4, this summer. The District is responsible for construction management of the project and is working cooperatively with Cal Am to complete the permanent facilities for Water Project 2. The first ASR well at the Seaside Middle School site, ASR-3, was completed by the District in 2011. The ASR-1 and 2 wells were completed by the District in 2002 and 2008, respectively, and are located at the adjacent Water Project 1 site near General Jim Moore Boulevard and Eucalyptus Road in Seaside. Once construction of the well is completed, it will undergo development and testing later this year.



this issue

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- Watershed Awareness P.4

District approves new charge to fund crucial water supply projects

With the loss of a nearly 30-year revenue source, and the critical need for a new water supply, the Monterey Peninsula Water Management District has spent the first six months of this year working to secure a new funding source. On June 27, the Board of Directors approved Ordinance No. 152, establishing an annual water supply charge.

The annual charge, to be collected from property owners receiving water from the Cal Am main system, will generate \$3.7 million in annual revenue for the District. The charge will appear on those affected owners' property tax bills and be collected by the county assessor. The amount of the fee is based on water usage by parcel type and meter equivalent, with a typical single family home having an annual charge between \$39 and \$96.

"Because Cal Am's customer consumption data is protected, we've used this formula, based on industry standards, to calculate the annual charge," said David Stoldt, District general manager.

Revenue from the annual water supply charge will be dedicated solely to water supply activities. This includes the completion of the District's aquifer storage and recovery project, and financing of a groundwater replenishment project in partnership with the Monterey Regional Water Pollution Control Agency. Additionally, revenue from the fee may be used on water supply project studies, water supply management, water demand management, and water augmentation expenses.

"The fee we previously collected on the Cal Am bill was used primarily to fund the District's mitigation program," said Stoldt. "With Cal Am agreeing to fund a share of the mitigation program, we are now able to direct 100 percent of this new revenue to water supply, allowing the District to provide publicly-owned, low-cost water projects."

To enact the water supply charge ordinance, the District followed the process outlined by Proposition 218. Under Proposition 218 law, affected property owners were notified of the proposed fee and given 45 days to submit one protest for each property owned. A public hearing on the matter was held June 12 where the District Board heard from the public and closed the period for submitting protests against the fee. The meeting was continued to June 19 to allow counting of the large number of protests delivered during the hearing. In total, 15,709 letters were received; however, that number included 3,252 ineligible protest letters and 2,114 duplicate protests. In the end, the District received 10,343 eligible protests from a potential of 30,509 eligible properties. A majority protest to defeat the fee would have required 15,255 eligible protest letters.

See WATER SUPPLY, on page 2

Regional water plan to be updated

Integrated Regional Water Management is a collaborative effort to manage all aspects of water resources in a region. IRWM crosses jurisdictional, watershed, and political boundaries; involves multiple agencies, stakeholders, individuals, and groups; and attempts to address the issues and differing perspectives of all the entities involved through mutually beneficial solutions.

The Water Management Group for this area includes Big Sur Land Trust, City of Monterey, Monterey County Water Resources Agency, Monterey Peninsula Water Management District, Monterey Regional Water Pollution Control Agency, and Marina Coast Water District, as well as more than 40 different stakeholder entities.

The District is currently leading an effort to update the 2007 IRWM Plan for Southern Monterey Bay, Monterey Peninsula and Carmel Bay. The first public meeting to initiate the 2013 update is scheduled for 1:30-3:30 p.m. July 25 in the District's conference room. This meeting will inform stakeholders of the existing plan, identify waterrelated issues and needs, set objectives for resource management, and develop strategies and projects to address the identified needs.

Public input and attendance in encouraged.

For more information, visit www.mpwmd.net or call 831- 658-5620.

WATER SUPPLY continued from page 1

| Project | Description | Supply Yield | FY 2013 Costs | FY 2014 Costs |
|---------------------------------|---|--------------|---------------|---------------|
| Aquifer Storage and Recovery | Excess Winter water storage | 3,000 AFY | \$1,325, 756 | \$862,370 |
| Groundwater Replenishment | Advanced treated wastewater | 3,500 AFY | \$1,036,000 | \$1,469,200 |
| Desal or Water Rights | Potential involvement/studies | N/A | \$250,000 | \$200,000 |
| ASR Expansion | Potential for wells in Carmel Valley | N/A | \$150,000 | \$500, 000 |
| Staff, Services, & Supplies | In direct support of water supply | - | \$1,200,000 | \$1,200,000 |
| Total | | 6,500 AFY | \$3,961,756 | \$4,231,570 |

The strong opposition to the proposed fee and the large number of protests prompted the Board of Directors to meet with various community groups prior to passing the annual water supply charge.

"The Board has a renewed focus on providing water supply projects, and this fee is critical to our ability to do so," said Jeanne Byrne, Division 4 Director. "With that being said, the community asked us to work with them before implementing this fee, and that's exactly what we did."

Over the course of two weeks, board members on the District's Water Supply Planning Committee met with representatives from the Monterey County Association of Realtors, Monterey Peninsula Taxpayers Association, Coalition of Peninsula Businesses, Monterey County Republican Party, Monterey Peninsula Chamber of Commerce, Citizens for Public Water, Carmel Valley Association, and the Monterey Peninsula Regional Water Authority. Participants held open and honest discussions about water supply projects and how to fund them. The District expressed the need and its legal right to impose a new fee. Opponents cited displeasure in the process used to implement any fee, concern over the past history of the District and possible misuse of the new revenue.

"We greatly appreciated the willingness of these groups to participate in the discussions, and I believe we were able to address some of the long-held past community distrust of the District," said Byrne. "As a result of those discussions, we were able to agree on a number of provisions that would allow us to move forward with this charge and gain support from the various community groups."

The agreed upon provisions include:

Sunset clause which states that the water supply charge shall go away if an identified District project is not underway

within five years, or to the extent funding for a project has become a charge on the Cal Am bill, or if bonds are repaid.

Strengthen the existing Ordinance language, which limited the funds to water supply projects, by being more specific:

◆ Limit the use of fee revenue to water supply projects such as aquifer storage and recover and groundwater replenishment,

♦ And that no more than 15 percent of funding applied to general overhead costs.

• Creation of a Citizen's Oversight Panel to review expenditure of funds received from the water supply charge.

Prohibition of future modification of the ordinance without holding a Proposition 218 protest hearing.

"The focus for the Board is to bring on line additional, less expensive water projects to help offset the expense of desal water – and this charge is crucial to accomplishing that," said Byrne. "The urgency for these projects can only be addressed by the community pulling together and us all working in cooperation with each other. With continued dialog and cooperation, we can work successfully on our common goal of replacing unlawful diversions from the Carmel River ahead of the State Water Resources Control Board's Cease and Desist Order deadline of December 31, 2016."

More information on the water supply charge, including the full text of the rate ordinance and tables outline the rate categories, can be found on the District's website at www.mpwmd.net.



Dry conditions lead to early fish rescues

The Monterey Peninsula Water Management District began its annual Steelhead rescue program June 12 as Carmel River flows near Highway 1 dropped to less than 8 cubic feet per second.

Due to the drier conditions this year, rescues started about a month and a half earlier than they had in the past several years.

Over the next few months, District staff will rescue threatened Steelhead from the lower river, beginning at the Highway One Bridge, continuing up stream as far as necessary. During the first four weeks of rescues, more than 4,000 Steelhead were rescued from drying reaches.

"The numbers captured so far are lower than we expected them to be based on our recon surveys and the number of lower river redds observed," said Beverly Chaney, MPWMD Associate Fisheries Biologist. "However, we frequently capture more fish per foot on the last pass as the fish become more concentrated and have come out of the weeds and tree branches along the edges of the stream."

This year, the majority of the captured fish are very small due to the late lagoon opening

and low-flow river conditions that prevented most of the adults from spawning until late in the spring. All of the rescued Steelhead are transported to the District's Sleepy Hollow Steelhead Rearing Facility where they will be reared until river flows reach adequate levels again in the Fall or Winter.

The District's Steelhead rescue is one of many activities carried out as part of the MPWMD Mitigation Program – a requirement of the District's to offset the negative impacts of over pumping on the river.





Quarterly Conservation Tip

Join the District in celebrating Smart Irrigation Month. Focused on July, traditionally the month of peak demand for outdoor water use, this public awareness campaign highlights simple practices and innovative technologies to:

- Make maintaining green spaces easy and convenient.
- Minimize overwatering while keeping lawns, gardens and landscapes beautiful and healthy.
- Save money on utility bills.
- Help protect community water supplies for today and the future.

For more information, visit www.smartirrigationmonth.org

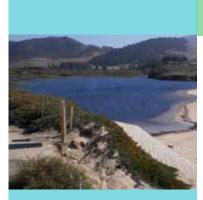
Water Awareness Day at County Fair

The 76th Annual Monterey County Fair will be held Aug. 29 to Sept. 3. The District will be out at the fair on two occasions to promote water awareness and conservation.

On Thursday, Aug. 30, the District and Cal Am will staff an information booth. Stop by the booth to learn about easy steps you can take to conserve and the free water-saving devices available to you.

On Saturday, Sept. 1, the Water Awareness Committee of Monterey County will sponsor a Water Awareness Day. A booth will be staffed by representatives from water agencies throughout the county, and will offer a variety of handouts on water conservation.

If you are out enjoying the fair on either of these two days, be sure to stop by our booths; you may walk away a little water-wiser.



CONTACT US

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District co-sponsors Watershed Awareness Day



In honor of California Watershed Network's Watershed Awareness Month, the District partnered with the Resource Conservation District of Monterey County and the Monterey Peninsula Regional Park District to host a 'Watershed Awareness Day' on the Carmel River May 20.

Approximately 40 people came out for the free



event at deDampierre Park in Carmel Valley. Participants helped to plant native trees and shrubs, listened to a lecture on the watershed and took a short hike along the river.

"This was a chance for local folks to pitch in for a few hours to help enhance the beauty and wildlife value of the river at a place where so many people come out to enjoy it every day," said Paul Robins, Executive Director of the RCDMC.

This was the first time the three local agencies have partnered to offer such an event during Watershed Awareness Month. Robins said they hope to make it an annual event.

Additional photos from the event can be found on the District's Facebook page at www.facebook.com/MPWMD.

Upcoming Events

- July 16: Board Meeting Regular Board Meeting 7 p.m.
 MPWMD Conference Room 5 Harris Court, Bldg G, Monterey
- July 25: IRWM Meeting Public Meeting to discuss updates to the regional plan 1:30 p.m.
 MPWMD Conference Room 5 Harris Court, Bldg G, Monterey

Aug 20: Board Meeting Regular Board Meeting 7 p.m. MPWMD Conference Room 5 Harris Court, Bldg G, Monterey

 Sept 17: Board Meeting Regular Board Meeting 7 p.m. MPWMD Conference Room 5 Harris Court, Bldg G, Monterey

Speak Up

Want to know more about water issues? MPWMD has qualified staff available to speak at your next community event or group meeting. Common topic requests include conservation measures, water supply issues, and environmental factors on the Carmel River. To request a speaker, call (831) 658-5653

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