

Monterey Peninsula Water Management District

DRAFT 2013 Annual Report

Accomplishments

- **Monterey Peninsula Water Supply Project** - Working jointly with California American Water (Cal-Am), the Monterey Peninsula Regional Water Authority, and 13 other interveners developed a framework for settlement of the Monterey Peninsula Water Supply Project application.
- **Funding for Desalination** - Introduced legislation for financing the project in a manner to reduce impacts on ratepayers for the Cal-Am desalination facility. Also provided funding for environmental and permitting work on an alternative desalination facility.
- **Pure Water Monterey Project** - Working in partnership with the Monterey Regional Water Pollution Control Agency, funded and provided services for environmental and permitting work on an innovative water recycling plant for serving a portion of the Peninsula's potable supply.
- **Aquifer Storage and Recovery (ASR)** - Working in cooperation with California American Water, MPWMD diverted 294 acre-feet (AF) of Carmel River Basin water during the 2012-13 winter season, stored this water in the Seaside Groundwater Basin at the Water Project 1 and 2 sites and extracted this water for community water supply use during the summer months of 2013. Since inception of the ASR program, a total of 4,771 AF has been diverted from the Carmel River for storage and subsequent recovery.

MPWMD continued work on construction of appurtenant facilities at the second phase of the ASR program, expected to be completed in 2014.

- **Water Rights** - Commented on water rights permits issued by the State Water Resources Control Board for Carmel River diversions. Began development of a scope of work to update instream flow needs for steelhead in the Carmel River.
- **Well Permitting** - After reviews for potential impacts to the water resource system and other water users, MPWMD issued 17 water distribution system permits for private properties with rights to percolating groundwater.
- **State Mandated Water Management Plans** - Completed a project solicitation as part of an update of the Integrated Regional Water Management Plan for the Carmel Bay, Monterey Peninsula and Southern Monterey Bay. MPWMD solicited input from stakeholders in the Ord Community on regional goals and objectives, launched an interactive web site, continued assessment of fish passage barriers in the Carmel Valley, and began work on an integrated surface water-groundwater model of the Carmel River Basin. Work is expected to be completed in spring 2014 and is partially funded with \$1 million from a Proposition 84 planning grant from the California Department of Water Resources.
- **State-Mandated Carmel River Mitigation and Stewardship** - Completed a review of the Sleepy Hollow Steelhead Rearing Facility intake with the National Marine Fisheries Service and California Department of Fish and Wildlife. The facility will undergo analysis and reconstruction of the intake system in order to protect the facility from changes in river flows due to the removal of San Clemente Dam and to allow the facility to continue to run during periods of extreme drought.



Successfully rescued 42,805 wild steelhead from the drying reaches of the Carmel River. Many of the fish were placed into the Sleepy Hollow Steelhead Rearing Facility. By October 2013, staff released 9,976 fish from the rearing facility into the lower river.

Obtained a grant from the California Department of Fish and Game to stockpile and place up to 1,500 tons of spawning gravel into the river near Los Padres Dam. The total cost of the project is estimated at \$225,000 and is tentatively planned to start in the spring or fall of 2014.

Planted native trees on the banks of the Carmel River to improve habitat value and reduce bank erosion.

Obtained a 10-year Regional General Permit from the Army Corps of Engineers for restoration and erosion prevention projects along the Carmel River.

Completed vegetation management activities in the active channel of the Carmel River to reduce the risk of streambank erosion along riverfront properties where vegetation encroachment could potentially divert river flows into streambanks during high flow periods.

Removed trash and plastic below major bridges along the Carmel River before winter rains and high flows washed the debris onto the riverbanks or into the ocean.

Participated in a workshop and follow-up Carmel River field inspection with local, State, and Federal scientists interested in setting up a plan for long-term monitoring of the effects to the Carmel River from removal of the San Clemente Dam.

- **Los Padres Dam Improvements** – Worked with Shibatani and Associates to develop the “Los Padres Dam and Reservoir Long-Term Strategic and Short-Term Tactical Plan.”
- **Conservation** - Revised conservation/water efficiency requirements, including non-residential retrofit requirements and promoted commercial rebates to non-residential water users required to retrofit by December 31, 2013.

Approved over 2,000 rebate applications totaling over \$892,000 for annual savings of 57.4 acre-feet of water.

Hosted greywater and rainwater seminars and “Laundry to Landscape” programs

- **Financial Performance** - MPWMD received a clean financial audit report with no material weakness or deficiencies. The audit for fiscal year 2012-2013 was conducted by an independent auditing firm.

In 2013, MPWMD secured \$4 million loan to refinance previously expended ASR costs, replenish reserves, and help pay for future ASR related costs.

- **Community Outreach** - Continued outreach with presentations to freshman biology classes from Carmel High School, seniors of Environmental Science classes from Robert Louis Stevenson School, graduate school classes at CSUMB in Watershed Science and Policy, the California Naturalist program, and to the American Society of Civil Engineers. Topics included information on the Monterey Peninsula Water Resource System, MPWMD’s Environmental Protection Program, the Carmel River steelhead life cycle, specific issues related to the Carmel River watershed, and proposed desalination facilities around Monterey Bay.

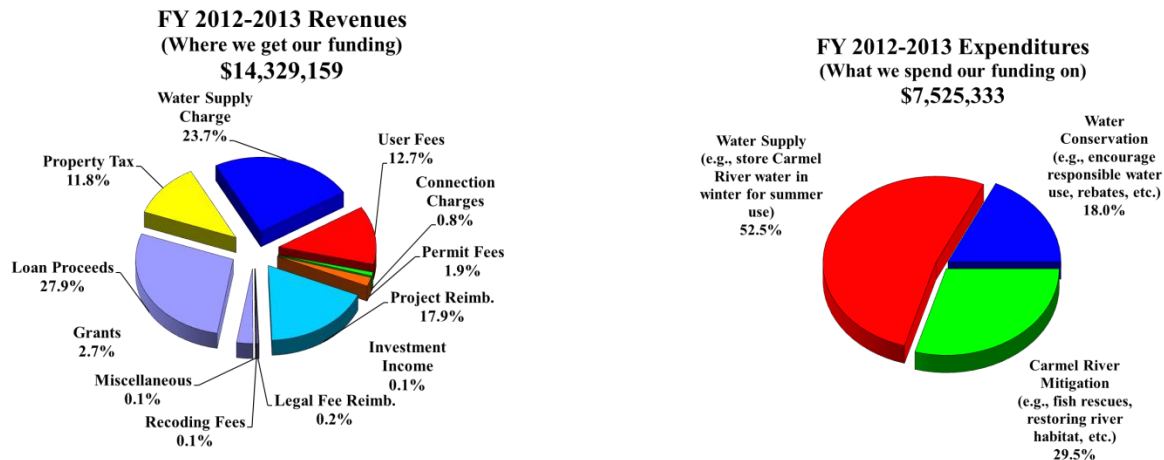
Executed two newsletters on District activities, over 30 presentations to community groups and City Councils, several guest opinions in local media, sponsored and developed a presence on Facebook.



Financial Analysis

Total revenues received in Fiscal Year 2012-2013 were \$14,329,159, of which \$4,000,000 was from loan proceeds, while expenditures totaled \$7,525,333, generating an increase in fund balance of \$6,803,826. As of June 30, 2013, the District's total fund balance was \$6,733,057.

The budget for Fiscal Year 2013-2014 anticipates revenues of \$15,319,714 and expenditures of \$15,319,714, which is a balanced budget. The total amount budgeted for completion of ASR 1 is \$1,492,376; ASR 2 work is budgeted at \$2,074,853; Ground Water Replenishment work is budgeted at \$2,717,500; and alternate desalination project is budgeted at \$400,000. The budget also includes \$595,000 in funding for preliminary work on various other water projects. ASR Projects 1 & 2 are wells and appurtenances for underground water storage and recovery.



Future Financing Methods

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, which was the District's largest and most fluid revenue source. The User Fee revenue from Cal-Am customers is currently not available to the District. With the establishment of the Water Supply Charge, the District now funds its water supply projects from this new funding source. The District also uses a 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, water supply charge, new revenue categories, grants, and bond financing. Actual funding sources would be dependent on the type of project, the amount of funding needed and other variables.

Present & Future Water Requirements

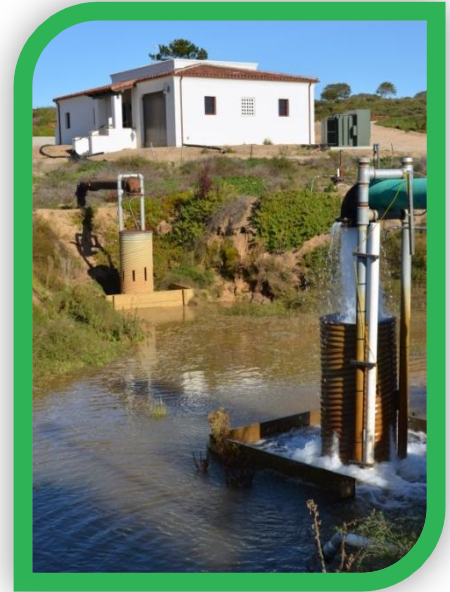
Present Water Requirements: In Water Year 2013, California American Water (Cal-Am) produced 11,622 acre-feet (AF) of water to satisfy water demand, comprised of 7,713 AF from the Carmel River, 3,721 AF from the Seaside Basin and 188 AF from the Sand City Desalination Facility.

Available Water Supplies: In Water Year 2013, 13,003 AF of water were legally available in the Carmel River and Seaside Groundwater Basins to serve Cal-Am customers within the District. Similarly, approximately 4,710 AF of water were assumed to be available to serve non-Cal-Am users extracting water from the Carmel Valley Aquifer and the Seaside Basin.

However, because of legal and regulatory constraints, MPWMD estimates that the long-term water supplies available to Cal-Am's customers in the future will be reduced to approximately 6,750 acre-feet per year (AFY) and the amount of water available from the Seaside Basin to non-Cal-Am users will be reduced by approximately 122 AFY. This assumes that Cal-Am will retain rights to produce 774 AFY from Seaside Groundwater sources, 94 AFY from the Sand City Desalination Facility, 2,000 AFY from Aquifer Storage and Recovery, and 3,376 AFY from Carmel River sources. In 2013, the State granted Cal-Am an additional 1,488 AFY of Carmel River diversions, subject to meeting instream flow requirements. MPWMD estimates a long-term yield of about 500 AFY from this diversion right.

In its revised application to the California Public Utilities Commission for the Monterey Peninsula Water Supply Project, Cal-Am has sought to incorporate replenishment of the Seaside Basin, as well as potential demand for build-out in Pebble Beach, the potential "bounce back" in tourism resulting from economic recovery and utilizing existing visitor-serving capacity, and legal lots of record. Therefore, there is a required demand of 15,296 acre-feet.

Requirements for Future Capital Improvements: Based on the stated future demands discussed above, the resulting desalination facility size is 6,252 AF with Pure Water Monterey Groundwater Replenishment (GWR), or 9,752 AF without GWR. The groundwater replenishment project expected to create 3,500 AFY of new supply is being sponsored by the Monterey Regional Water Pollution Control Agency which has developed an implementation plan for completion by 2017. The MPWMD Board of Directors unanimously approved developing an agreement between the District, MRWPCA, and Cal-Am whereby the District would fund 75% of that project, purchase product water to store in the ground, and sell recovered water to Cal-Am.



Aquifer Storage and Recovery is expected to be doubled in capacity by 2016, to almost 3,000 AFY and is being developed jointly by the District and Cal-Am. However, until permit conditions are modified subsequent to the future lifting of the Cease and Desist Order, not all ASR capacity is reliably available in dry years, hence cannot all be counted upon to offset unlawful diversions. The District continues to develop plans for additional ASR opportunities for future water supply.

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 2013.

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