



EXHIBIT 1-B

DRAFT MINUTES
Water Supply Planning Committee of the
Monterey Peninsula Water Management District
June 19, 2012

1. Call to Order

The meeting was called to order at 10:00 am in the MPWMD conference room.

Committee members present: Bob Brower, Chair
Jeanne Byrne
David Pendergrass

Staff members present: David Stoldt, General Manager
Rachel Martinez, Community Relations Liaison
Arlene Tavani, Executive Assistant

District Council present: David Laredo

Roundtable Participants

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| Sue McCloud | Meeting Facilitator |
| Jeff Davi | Republican Party County Central Committee |
| Maureen Mason | Monterey County Association of Realtors |
| Chuck Della Sala | Monterey Peninsula Regional Water Authority |
| Jason Burnett | Monterey Peninsula Regional Water Authority |
| Paul Bruno | Monterey Peninsula Taxpayers Association Paul Bruno |
| Ron Pasquanelli | Monterey Peninsula Taxpayers Association |
| Mike Zimmerman | Coalition for Peninsula Businesses |
| George Riley | Citizens for Public Water |
| Roger Dolan | Carmel Valley Association |
| Todd Norgaard | Carmel Valley Association |
| Jodi Hanson | Monterey Peninsula Chamber of Commerce (arrived at 10:15 am) |

2. Introductions

The committee members and roundtable participants introduced themselves.

3. Statement of most important goal of each interested party or group you represent

A summary of the statements is provided as Attachment 1.

4. Feasibility of Solutions to meet goal for new water source up and running by 12/31/16

Comments offered by the participants on desalination, aquifer storage and recovery (ASR) and groundwater replenishment (GWR) are listed below.

1. Disagree with the plan of California American Water (Cal-Am) to determine the size of a desalination project based on a decision it could make that ASR or GWR are not viable because they don't coincide with Cal-Am's schedule for project construction. The decision should be made by another entity, not Cal-Am.
2. Demand planning will be difficult unless all three projects are involved in the calculations, and replenishment of the Seaside Basin must be part of the long-range plan.
3. Cal-Am must meet the Cease and Desist Order (CDO) limits, and therefore, should be the ultimate decision maker making on the scope of the water supply project.
4. If ASR and GWR do not move forward then the fallback proposal is a large desalination project financed by rate payers. Under that scenario, local control of the project is lost, and decisions regarding that project would be left to the California Public Utilities Commission (CPUC). If we don't move ahead with this fee collection proposal, local representation will be lost and the community will pay for that project through water bills, instead of property taxes.
5. We are told that we must either accept a fee we consider illegal, or lose local control of a water supply project. That is unacceptable. We must decide if the protest hearing and user fee are the way to move forward. If not, we need to decide what action should be taken.
6. There should be community-wide support for a request that the CPUC reverse its decision on excluding the user fee from the Cal-Am bill.
7. How do we justify having the MPWMD participate in the water project planning process? Suggest we develop some parameters to bolster public trust in the District.
8. Would a sunset clause or establishment of a citizens committee be ideas that could be implemented in order to forestall legal action and/or a vote of the electorate?
9. If a citizens' group is established, representation from different interest groups including environmental should be included.
10. A citizens' oversight group could make recommendations to the Board, but would not have the authority to require action. The District should place the funding issue before the voters. The District must convince the voters that you have the ability to do what you say.
11. We must focus on the imminent water rate increases, and figure out the power of yes to solve the problem. This community has not been able to agree, we file lawsuits and fight.
12. A sunset date for the user fee should be established, so that the user fee will end when the debt service and charges can be added again to the Cal-Am water bill. You should go back to the CPUC and request that the user fee be reinstated on the Cal-Am water bill. If that is successful, you may only need to collect the Proposition 218 user fee on the tax bill for 7 or 8 years.
13. The District should tighten up its operation so that it can carry out its mission with a reduced budget. The community should see that the District understands the budget reductions that have affected the private sector. Concern expressed about the cost for legal fees and that \$60,000 was spent on an election to fill a vacancy on the Board.
14. Going forward with the Proposition 218 user fee is the only way to proceed. If a public vote is conducted, it will be defeated.
15. The protest hearing process is questionable. If this funding issue were placed before the voters, the Monterey Peninsula Chamber of Commerce would strongly promote approval, advising the voters why they should support funding for water supply. Need to see a definition of each project under consideration and what each project will cost.

16. There are many unknowns with the proposed projects. The public cannot be brought along every step of the way as there are highly technical issues involved. We must put some trust in our elected representatives to make decisions.
17. Support for a project is not gained by limiting the persons that can vote, such as with the protest vote process. The short-term goal of the MPTA is to have all those that “pay the bills” vote.

The following statements were made during the public comment period on this item. **(1) Rick Heuer**, Monterey Peninsula Taxpayers Association, stated that any resolution establishing the user fee could be amended by a future Board. The trust issue has not been resolved. A new approach is needed. If the District does move forward with instituting the user fee based on the protest hearing, it will “blow up” due to lack of public support. That will only delay the process. **(2) Nelsen Vega** asserted that the roundtable participants did not represent the community because no elderly, low-income nor people of color participated. He expressed opposition to the protest hearing process. He stated that the growth issue should not be a consideration. Mr. Vega spoke in support of a large desalination plant sized to exceed the production shortfall because it could: (A) be ramped down if ASR and GWR are developed at a lower cost, and/or (B) extra water could be available at a higher cost to those who want to use it. **(3) Arleen Hargenstein**, representing the Monterey County Association of Realtors (MCAR), spoke on behalf of MCAR members Kevan Stone and Noni McVey. She stated that the protest hearing should be abandoned and the process to secure funding started again. The ultimate funding source should have a defined sunset date, funds should be earmarked for specific projects, and an oversight committee should be established. She stated that MCAR’s action related to the user fee will be determined by decisions the MPWMD Board could make at its 7 pm meeting that evening. **(4) Bill Hood** urged the MPWMD to address the size of District staff, and reduce the budget in order to obtain public support.

5. Next Steps for Moving Forward

A motion was offered by Director Pendergrass and seconded by Director Byrne that staff develop an amended version of proposed Ordinance No. 152 that would be presented to the Board of Directors for consideration that evening at the 7 pm Board meeting. The amended language should include: (1) a sunset date for collection of the user fee; (2) limiting the user fee to project specific expenditures; and (3) formation of an oversight committee to review user fee expenditures. Also, that the committee recommend to the Board of Directors that no action be taken on proposed Ordinance No. 152 until after the roundtable group meets again. The motion was approved unanimously on a vote of 3 – 0. Directors Pendergrass, Brower and Byrne voted in favor of the motion.

6. Receive Public Comment on Agenda Items 1 through 5

No comments received.

7. Comments from the Public

No comments received.

8. Adjournment

The meeting was adjourned at 11:45 am. A follow up meeting of the committee and roundtable members was scheduled for Monday, June 25, 2012 at 8 am in the District conference room.