2020 Annual Report – DRAFT
Monterey Peninsula Water Management District

EXHIBIT 10-A

Accomplishments

- **Pure Water Monterey Project** – The District provided project management for the injection wells for this innovative water recycling plant, working in partnership with Monterey One Water, which owns and operates the system. The project began deliveries of water in February 2020 and began sales to California American Water (Cal-Am) in September, 2020(?). At 3,500 AF per year, it is the largest project to come online to date to help offset the Cease and Desist Order.

Construction of Santa Margarita Water Treatment Facility was completed in 2020

- **Aquifer Storage and Recovery (ASR)** –Since inception of the ASR program in 1998, a total of 9,951 AF has been diverted from the Carmel River for storage and subsequent recovery through the end of Water Year (WY) 2020. The District completed facilities to treat produced waters recovered from ASR and Pure Water Monterey.

- **Pumping's Effect on the River** – In cooperation with the United States Geological Survey (USGS), the District continues to refine an integrated groundwater/surface water GSFLOW/MODFLOW model to help understand Carmel River flows related to changes in groundwater pumping. In addition, the District completed a draft instream flow study and hydraulic model to simulate flow requirements for steelhead in the Carmel River. These models will allow the District to simulate different water supply scenarios and their impacts on the Carmel River environment in the Los Padres Dam alternatives analysis (see page 2) currently underway in conjunction with Cal-Am and the National Marine Fisheries Service.

- **Integrated Regional Water Management (IRWM) Program** – The District received an Integrated Regional Water Management (IRWM) Implementation Round 1 Grant agreement for the Monterey Peninsula region in the amount of $2,238,904. The District, as "Grantee", has many duties including: (a) administration of the agreement with California Department of Water Resources, (b) invoicing, with documentation, on behalf of the Local Project Sponsors, and (c) progress reporting. There are three projects – all non-District—that are being supported by this Implementation Round 1 grant: The Coe Avenue Recycled Water Pipeline in Seaside sponsored by Marina Coast Water District, the Del Monte Manor Low Impact Development Project sponsored by the City of Seaside, and the West End Stormwater Improvement Project sponsored by Sand City.

- **Legally-Mandated Carmel River Mitigation and Stewardship** – The District secured authorizations for an upgrade to the Sleepy Hollow Steelhead Rearing Facility (SHSRF) in 2018. Construction began in 2019 and was completed in 2020. The upgrade included construction of a new intake and water supply system 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 operate during periods of extreme drought or high flows. The total project cost was approximately $2.8 million, including environmental compliance documents, design, permits and construction. The State Coastal Conservancy approved $2.25 million for reimbursement of expenses from funds generated by a Settlement Agreement between Cal-Am and the National Marine Fisheries Service (NMFS).

The District successfully rescued 4,439 fish from two Carmel River tributaries and 8,529 fish from the mainstem in 2020. Approximately 5,100 rescued mainstem fish were taken to SHSRF, while tributary fish were released near the tributary's confluence with the Carmel River. Nearly 3,000 fish were tagged and released back into the river from SHSRF in November 2020.

A young rescued steelhead at the Sleepy Hollow Steelhead Rearing Facility

Due to Covid-19, staff was only able to conduct a partial late-season redd (steelhead nests) survey, counting 121 redds in the Los Padres and Sleepy Hollow areas over 23 miles of river. For the fifth year, staff continued to work with NMFS on field studies to develop a steelhead population life history model for the watershed, based on tagged fish from NMFS studies and fall population surveys by MPWMD. The joint efforts included basin-wide population surveys and installing tag detection arrays from the lower Carmel valley to above Los Padres Reservoir.

District crews carried out the Vegetation Management Program in the active channel of the Carmel River at 5 sites to prevent debris dams and erosion. This includes trimming back encroaching vegetation and reducing the hazard of downed trees in preparation for winter flows. Trash was removed from the active channel of the river before winter rains washed it into the ocean. District staff also planted native trees on exposed banks to improve habitat value, protect water quality, and reduce bank erosion.

District staff continued revegetation and irrigation at the Carmel River Bank Stabilization Project just downstream of Rancho San Carlos Road. This work prevented streambanks from further collapse during the 2020-2021 winter season. MPWMD employed an environmentally friendly stabilization technique consisting of logs, rocks, and native plantings built into a cribwall at the site.

- **Los Padres Dam Alternatives** – A study of upstream volitional fish passage alternatives continued and a study of alternatives to the dam and management of reservoir sediment are in progress. District expenses have been partially reimbursed by Cal-Am under a Public Utilities Commission decision to plan for the long-term future of the dam and associated reservoir. The final report is anticipated to be complete in July of 2022.

- **Salinas and Carmel Rivers Basin Study** – The District continued work on a Basin Study to evaluate future water demands and water supplies taking into account the effects of climate change. The area includes all of the Salinas River Valley through Monterey and San Luis Obispo Counties, the Monterey Peninsula, and the Carmel River Basin. The US Bureau of Reclamation is providing $1.8 million in grant funds for the effort. Study metrics and hydrologic modeling were carried out during 2020. The study, which began in 2017, is expected to be complete in 2022.

- **Well Permitting** – MPWMD approved 2 amendments to Cal-Am Water Distribution Systems. The District issued 14 Confirmation of Exemptions for private properties that met criteria established in District Rules and Regulations. Applications were reviewed for potential impacts to the water resource system and other water users.

- **Conservation –** The District approved 749 rebate applications in the amount of $228,248 for annual savings of 7.236-plus acre-feet of water. Due to the pandemic, the offices closed to the public on March 18, 2020, and staff switched to working electronically and limited inspections only to vacant homes. Properties transferring ownership self-certified compliance with the requirements and the District provided a Certification of Compliance. Staff completed 723 property inspections to verify compliance with water efficiency standards for changes of ownership or use.

During 2020, the District issued 654 Water Permits and 63 Water Use Permits to Benefited Properties (i.e., properties eligible to receive a portion of a Water Entitlement). Staff conducted 529 onsite inspections to verify compliance with permit water efficiency requirement.

As the regional entity responsible for compliance with State landscaping regulations, the District issued 31 Water Permits for new and refurbished landscapes. A total of 83,866 square feet of new landscape area was permitted. Rehabilitated area totaled 54,544 square feet. The District hosted several rainwater harvesting and water efficient irrigation workshops.

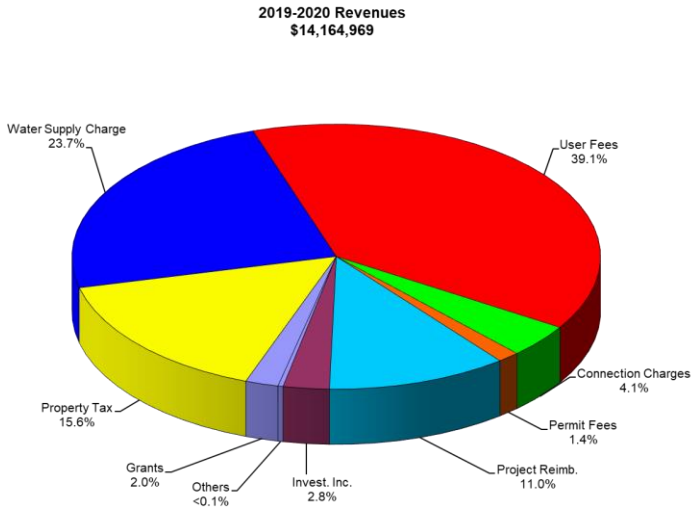
- **Community Outreach** – The District posted regular updates to its Facebook page and Twitter account. As a partner with the Water Awareness Committee for Monterey County, the District participated in presentations and assemblies at local schools. The District also ran monthly ads covering District activities in local media.

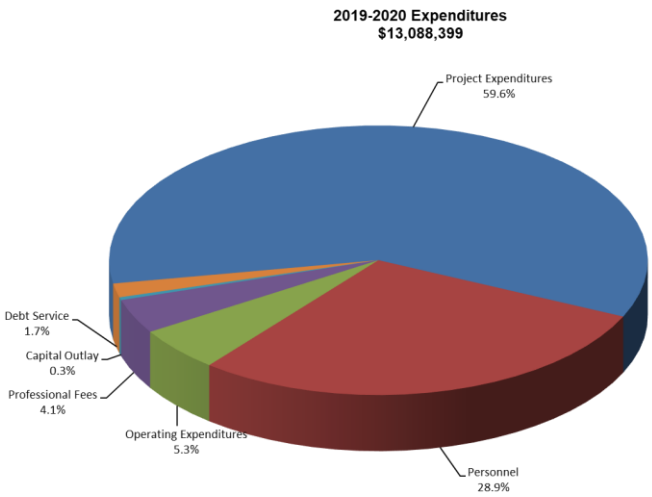
- **Summer Splash** – With the advent of "lock-downs" due to COVID-19 and the inability to gather in person throughout 2020, the District, in partnership with Cal-Am, sponsored a fun family-oriented conservation game called Summer Splash Water Challenge Giveaway. The challenge was an educational gameboard where participants visited the event website and watched water efficiency videos to find the answers to the gameboard questions. The challenge was designed for families and was launched in the summer when children were at home. Completed gameboards could be submitted as an entry into a sweepstakes to win prizes. The prizes offered were a high efficiency clothes washer, Amazon Gift Cards, and iPads. The gameboards were printed in the newspaper and the event was promoted on Facebook. The challenge went for one month and at the end we received 80 entries for the sweepstakes.

- **Measure J** – In November 2018, voters passed an initiative requiring the District to acquire the local water supply and distribution facilities of California American Water, if feasible. The District assembled a team of experts to examine feasibility and reported on the initial findings that an acquisition is economically feasible in November 2019. In 2020, the District prepared an environmental impact report, operations plans, and an application to the Monterey County Local Agency Formation Commission (LAFCO) to "activate" the District's authority to provide water service directly to end-use customers.

Financial Analysis

The District prepared a Comprehensive Annual Financial Report (CAFR), which is a set of government financial statements comprising a report that complies with the accounting requirements promulgated by the Government Accounting Standards Board, as well as relevant statistical information about the District. MPWMD received a clean financial audit report with no material weakness or deficiencies. The audit for fiscal year 2019-2020 was conducted by Hayashi Wayland, an independent auditing firm. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its CAFR for the fiscal year ended June 30, 2019. This District has received the CAFR award for five consecutive years. As shown on the next page, total revenues in Fiscal Year 2019-2020 were $14,164,969, while expenditures totaled $13,088,399, generating an increase in fund balance of $1,076,570. As of June 30, 2020, the District's total fund balance was $18,091,909. The budget for Fiscal Year 2020-2021 anticipates revenues of $20,916,400 and expenditures of $27,043,700 with $6,127,300 coming from fund balance.





Future Financing Methods

The District has historically paid for costs associated with water supply projects on a pay-as-you-go basis, with majority of the funding coming from User Fees, which was the District's largest and most fluid revenue source. However, beginning in 2012 the User Fee revenue from Cal-Am customers was not available to the District. The District was funding its water supply projects from the Water Supply Charge established in 2012. However, in 2017 the CA Supreme Court reinstated the User Fee, which the District resumed collecting in April 2017. Possible sources of funds to pay for actual construction of future water supply projects include ongoing revenue increases, user fees, water supply charge, property tax, new revenue categories, grants, and bond financing.[1] Actual funding sources will depend on the type of project, the amount of funding needed and other variables.

Water Supply

Available Water Supplies: In WY 2020, 10,130 AF of water was legally available to serve Cal-Am customers within the District. Similarly, approximately 3,046 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, long-term water supplies available to Cal-Am's customers in the future will be reduced to approximately 9,000 acre-feet per year (AFY), assuming that Cal-Am will retain rights to produce 774 AFY from Seaside Groundwater sources (restored to 1,474 in 25 years), 94 AFY from the Sand City Desalination Facility, 1,300 AFY from Aquifer Storage and Recovery, 3,500 AFY from Pure Water Monterey and 3,376 AFY from Carmel River sources.

Future Capital Improvements: A 6,252 AFY desalination facility or expansion of the Pure Water Monterey (PWM) project are being examined for additional long-term water supply. The District envisions expansion of PWM to be more affordable and better for the environment, in addition to meeting long term needs for decades. Because these two projects are the only potential projects being discussed at this time, it is expected that one of these projects will be chosen to proceed by the end of 2021.

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[1] ***Groundwater Charge Zone****: In June 1980, the District Board approved formation of a groundwater charge (or fee) zone to provide a revenue source for a well-monitoring program consisting of well registration, well metering, and water production reporting. However, the District has abandoned groundwater charges as a source of revenue. No groundwater charges were established during 2020.*