This meeting has been noticed according to the Brown Act rules. This agenda was posted on Friday, September 18, 2015.

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

Ordinance No. 152 Oversight Panel Members:
John Bottomley
Paul Bruno
Jason Campbell
Jody Hanson
Todd Kruper
George Riley
Christine Monteith
John Tilley
Norman Yassany

MPWMD Contacts:
General Manager, David J. Stoldt

Administrative Services Manager, Suresh Prasad

Executive Assistant, Arlene Tavani

AGENDA
Ordinance No. 152 Oversight Panel
Of the Monterey Peninsula Water Management District
****
Thursday, September 24, 2015, 9:00 am
District Conference Room, 5 Harris Court, Building G, Monterey, CA

Call to Order

Comments from Public -- *The public may comment on any item within the District's jurisdiction. Please limit your comments to three minutes in length.*

Action Items – *Public comment will be received on Action Items. Please limit your comments to three minutes in length.*

1. Consider Adoption of Minutes of February 19 and May 13, 2015 Committee Meetings

2. Review and Provide Recommendation on FY 2015-16 Local Water Projects/Grants Applicant Submissions

Discussion Items -- *Public comment will be received on Discussion Items. Please limit your comments to three minutes in length.*

3. Discuss Groundwater Replenishment Project Credit Structure and O&M Cost Requirements under Water Purchase Agreement

4. Review of Revenue and Expenditures of Water Supply Charge Related to Water Supply Activities

Adjourn

Staff reports regarding these agenda items will be available for public review on Monday, September 21, 2015 at the District office and website. After staff reports have been distributed, if additional documents are produced by the District and provided to the Committee regarding any item on the agenda, they will be made available at 5 Harris Court, Building G, Monterey, CA during normal business hours. In addition, such documents will be posted on the District website at www.mpwmd.net. Documents distributed at the meeting will be made available in the same matter. Upon request, MPWMD will make a reasonable effort to provide written agenda materials in appropriate alternative formats, or disability-related modification or accommodation, including auxiliary aids or services, to enable individuals with disabilities to participate in public meetings. Please send a description of the requested materials and preferred alternative format or auxiliary aid or service by 5 PM on Tuesday, September 22, 2015. Requests should be sent to

the Board Secretary, MPWMD, P.O. Box 85, Monterey, CA, 93942. You may also fax your request to the Administrative Services Division at 831-644-9560, or call 831-658-5600.

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ORDINANCE NO. 152 OVERSIGHT PANEL

1. CONSIDER ADOPTION OF MINUTES OF FEBRUARY 19 AND MAY 13, 2015 COMMITTEE MEETINGS

Meeting Date: **September 24, 2015**

From: **David J. Stoldt**
General Manager

Prepared By: **Arlene Tavani**

SUMMARY: The minutes of the February 19, 2015 and May 13, 2015 committee meetings are attached as **Exhibits 1-A and 1-B**, respectively.

RECOMMENDATION: Review the minutes and adopt them by motion.

EXHIBIT 1-A

DRAFT MINUTES
Ordinance No. 152 Oversight Panel of the
Monterey Peninsula Water Management District
February 19, 2015

Call to Order The meeting was called to order at 9:10 am in the conference room at the offices of the Monterey Peninsula Water Management District.

Committee members present:
Paul Bruno
Jason Campbell
Jody Hanson
Todd Kruper
John Bottomley
George Riley
Christine Monteith
John Tilley

MPWMD Staff members present:
David J. Stoldt, General Manager
Arlene Tavani, Executive Assistant

Committee members absent:
Norm Yassany

Comments from the Public:
No comments were directed to the committee.

Action Items

1. Consider Adoption of Minutes of August 19, 2014 Committee Meeting

Hanson offered a motion that was seconded by Campbell to adopt the minutes with one amendment: note on page 2, under item (F) that the committee expressed some disagreement with the plan to use water supply charges to fund election expenses. The motion was approved unanimously on a vote of 8 – 0. Yassany was absent.

Discussion Items

2. Review of Actual December Receipts

Stoldt reviewed the summary of Water Supply Receipts provided in the committee packet. He noted that the District's activities are funded by the water supply charge and a small percentage of property taxes with no automatic escalation for inflation. Over time, the pay-as-you-go costs of water project planning may decrease, and the connection charge could be reduced. But at some point, it must be decided how to fund increasing indirect costs such as labor, services and supplies.

3. Update on Ongoing Water Supply Charge Spending – Capital Improvement Budget

Stoldt reviewed the Water Supply Charge Availability Analysis and responded to questions. **Question:** Are ASR expansion costs paid by the District, or are they reimbursed by California-American Water? **Response:** The District has a water right to take water from the Carmel River under certain conditions and store it. The District is investigating the possibility of injecting that water into new wells in Seaside or Carmel Valley. **Comment:** Instead of working to increase storage at Los Padres Dam, you should request that the State Water Resources Control Board (SWRCB) authorize a four-year extension to the CDO deadline. **Response**: The only way to increase production from the Carmel River is to construct the New Los Padres Dam, but that can't be done while the Cal-Am desalination project or another project is proceeding. Negotiating with the SWRCB may not be the most effective way to obtain a four-year extension of the CDO. **Question:** Regarding Exhibit 3-B, do the asterisks indicate that a portion of the cost or the entire costs is allocated to indirect labor costs? **Response:** Will obtain clarification and report back to you. **Question:** Why are water supply charges allocated to payment of election costs? **Response:** This is payment to Monterey County Elections for conducting the election of directors. The cost has been allocated equally to Conservation, Mitigation and Water Supply, so that 1/3 of the cost is funded by the water supply charge. All directors oversee all the District's activities including water supply, so a portion of the election cost should be paid by the water supply charge. **Question:** What is the long-term plan for the Water Supply Charge? **Response:** Stoldt will prepare a 10-year projection for committee review at a future meeting. **Question:** At what point does the rate of progress on Cal-Am's Desalination Project determine if funding for DeepWater Desal will end. **Response:** The commitment to DeepWater Desal is $800,000 over two years. In June that time period ends and only $400,000 has been spent. The Board will decide in June if it will extend the contract to provide funding for the EIR process. The District is leaning towards funding DeepWater Desal up to the full $800,000, but resources may not be sufficient to fund the Pure Water Monterey Project and DeepWater Desal. It is anticipated that the cost of water from the DeepWater Desal Project will be lower than from Cal-Am's Desal project. The question is, if the CPUC approves the Cal-Am project, will the California Coastal Commission approve two projects just 17 miles from each other.

4. Update on Ongoing Water Supply Charge Spending Plans for Groundwater Replenishment

Stoldt reviewed documents presented under Item 4 and responded to questions. **Comment:** Identify a word to replace reclamation "ditch." **Comment:** When could the water supply charge be retired? **Response:** If the User Fee was reinstated, and the District reimbursed funds that had been depleted, the District may choose to collect the user fee and the water supply charge for a couple of years to build up a fund to be used for water supply development. Before that decision is made, it would be brought to the committee for consideration. **Comments:** Some committee members stated that they would not support continued collection of the water supply charge. **Question:** Is there any chance that funding would be available from the State Water

Bond? **Response:** $725 million is set aside in the water bond for water recycling and desalination, but for 2016 the State has only $134 million budgeted for recycling and $9 million for desalination. Money for desalination is only available for publicly owned projects. As for water recycling, we have begun the process to apply for funds, but may only be eligible for loans, not grants.

Bruno offered a motion that was seconded by Bottomley to recommend that election costs should be considered an indirect expense. The motion was approved on a vote of 6 – 2. Bruno, Bottomley, Hanson, Kruper, Monteith and Tilley voted in favor of the motion. Riley and Campbell were opposed.

5. Overview of Appellate Court Decision Regarding MPWMD Authority

Stoldt reviewed the appellate court findings in Thum V. MPWMD that were presented in the staff report.

Stoldt distributed a report entitled Los Padres Dam and Reservoir Long-Term Plan, for review by committee members. He advised the committee that the Fiscal Year 2015-16 Budget would include expenditures from the water supply charge related to the future use of Los Padres Dam for water supply and protection of the fishery.

Adjournment

The meeting was adjourned at 10:45 am.

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EXHIBIT 1-B

DRAFT MINUTES
Ordinance No. 152 Oversight Panel of the
Monterey Peninsula Water Management District
May 13, 2015

Call to Order The meeting was called to order at 9:00 am in the conference room at the offices of the Monterey Peninsula Water Management District.

Committee members present:
Paul Bruno
Jason Campbell
Jody Hanson
Todd Kruper
John Bottomley
George Riley
Christine Monteith (left at 10:05)
John Tilley

MPWMD Staff members present:
David J. Stoldt, General Manager
Suresh Prasad, Administrative Services Manager
Arlene Tavani, Executive Assistant

Committee members absent:
Norm Yassany

Comments from the Public:
No comments were directed to the committee.

Discussion Items

1. **Review of Ten-Year Projection of Water Supply Charge Receipts and Expenditures**

Stoldt reviewed the ten-year forecast. He stated that the $3.4 million that will be received from the water supply charge, is insufficient to fund the projects planned. For example, as of December 2014, the District spent $4.8 million on the Pure Water Monterey project. Once the project is approved and funding is obtained, that money will be reimbursed. However, Federal funds can be used to recover three years of prior expenditures, and State Revolving Funds limit the period of recovery to five years. Therefore, it very important that financing for Pure Water Monterey be obtained soon.

Stoldt described the categories of expenditures listed on the 10-Year Forecast. **Cal-Am Desalination** – Costs for 2016, 2017, and 2018 are for the complex underwriting process required to take advantage of ratepayer relief bonds. Those costs should be reimbursed from project proceeds. **Local Water Projects** – The cost is shown as $200,000 per year over the ten-year period but that program could be ended at any

time. **GWR Operating Reserve –** The goal is to accumulate $6.5 million (equal to one year's debt service) to pay for operating costs should there be an interruption in delivery of water to California American Water (Cal Am), as they will not pay for water they will not receive. **GWR Drought Reserve** – For five years, pay the cost to treat water and then store it for a drought reserve. The goal is to store 200 acre-feet per year up to 1,000 acre feet, so that during a drought the agricultural wash water can be shifted directly to the growers and the drought reserve can be utilized on the Peninsula. **ASR Phase 1** - Lease payment to the City of Seaside for an easement for ASR. **ASR Future Phases –** Construction of ASR wells in Seaside and on Tularcitos Creek that would utilize Carmel River water associated with the District's water right, which could expire in 2020. The debt would be amortized over a 30-year period. **Alternate Desal** – Costs are only shown for 2016 as staff believes that if DeepWater Desal moves forward, it would not benefit the Monterey Peninsula. If the project does move forward, DeepWater Desal is not required to repay the $800,000 the District contributed towards the project. If Cal-Am's desal project failed, the District could obtain up to 10,000 acre-feet of water from DeepWater Desal. **Carmel River/Los Padres –** Would fund studies that would analyze options for future operation of the Los Padres Dam. The Federal government has recommended removal of Los Padres Dam; however, the District believes that a regulated river with a dam would provide a water supply benefit and facilitate fish passage. The costs after 2019 reflect insurance costs. **Water Allocation Process** – An EIR will be required to analyze issues related to allocation of water from a water supply project. **Water Supply & Staff** – Amount budgeted for cost of staff working on water supply projects. **Rabobank Loan Debt Service** – this loan replenished District reserve funds that had been advanced to pay for ASR costs. The loan includes a balloon payment in 2023 of $3 million. **Rabobank Loan Sinking Fund** - A sinking fund was established that assumed 1% earnings to pay off that loan. It may be that financing for the project will be obtained prior to that pay-off date and the sinking funds will not be needed. **Total** – There is a shortfall in revenues to pay the costs of water supply development. The MPWMD Board will be asked to utilize reserves to continue to pay the water supply project costs, which will drive reserves down to $1 million. It is hoped that by 2017 financing will be obtained to pay the water supply costs. If that does not occur, the District will not be able to fund the operating reserve or sinking fund at the level shown.

Stoldt stated that we may be able to sunset a portion of the water supply charge in 2023 or 2024, depending on what happens with Los Padres Dam or ASR. A portion of the fee will always need to be retained to pay debt service. Another consideration is that the California Supreme Court must determine if the user fee will be reinstated. If it is reinstated, the water supply charge could be reduced.

Comments from the Committee: (1) Questioned the use of the water supply charge to pay the Rabobank Loan Debt Service and the GWR Operating Reserve. *Response: The District paid for a water project with reserves and then reimbursed ourselves for that project.* (2) Why aren't future water sales expected to pay the operating and drought reserve? *Response: Cal-Am has said that it will only pay for actual project costs and*

overhead. The water purchase agreement may be renegotiated in the future. (3) After Cal-Am reduces pumping on the Carmel River to its legal limit, the non-Cal-Am pumpers will be producing the majority of water from the River. Will this cause a change in funding mitigation activities? *Response: Yes. As a Groundwater Sustainability Agency, the District could assess groundwater charges for the non-Cal-Am pumpers, and that is also authorized under the District's enabling legislation. A Proposition 218 process would be required in order to assess a fee on the non-Cal-Am pumpers.*

2. Review of Actual April Receipts/Discuss Proposed Budget and Capital Improvement Plan for Fiscal year 2015-2016/Provide Update on On-Going Spending Plans

Prasad reviewed Exhibit 2-A, Water Supply Charge Receipts and Exhibit 2-B Water Supply Charge Availability Analysis.

3. Review Effects of Election Cost on Overhead Calculation

Stoldt reviewed Exhibit 3-A Election Costs 50% Direct/50% Indirect, and Exhibit 3-B Election Costs 100% Indirect. Stoldt noted that under the proposed FY 2015-16 Budget, the indirect costs are within 15%, without implementing either of the two options reviewed. **Comments:** (1) Election of Directors must take place without regard to the water supply charge; therefore, it is not strictly a project cost. (2) It is an established practice for public entities to spread fixed overhead charges to grants received and special funds.

4. Overview of Superior Court Decision in MPTA v MPWMD Case #M123512

District Counsel Laredo reported that a 32 final decision was issued by the count on April 30, 2015. The judge ruled the following. (1) The referendum was flawed and the voters gave an uninformed signature on the petition. (2) The District does have the authority to impose the water supply charge, and does provide water related services. (3) The District did comply with the Proposition 218 process. (4) According to the District's enabling legislation, the District does have the authority to undertake water supply projects without a vote of the electorate, if the project benefits the District as a whole. Laredo noted that MPTA had until the end of May 2015 to file an appeal.

Adjournment

The meeting was adjourned at 10:30 am.

ORDINANCE NO. 152 OVERSIGHT PANEL

2. REVIEW AND PROVIDE A RECOMMENDATION ON FY 2015-16 LOCAL WATER PROJECTS/GRANTS APPLICANT SUBMISSIONS

Meeting Date: **September 24, 2015**

From: **David J. Stoldt**
General Manager

Prepared By: **David J. Stoldt**

SUMMARY: At its June meeting the District Board adopted a budget that included expenditure of up to $295,000 of the Water Supply Charge for development expenses for local water projects. *However, the amount in the adopted budget includes amounts from prior years that were approved but unexpended. As a result, moneys available for new projects may be limited as described below.* The program requires matching by the local project sponsor, either through funding or water to be made available to the District for allocation to the jurisdictions. The Water Supply Planning Committee reviewed these applications on September 8, 2015 and deferred any action to its October meeting.

Four applications were received:

	Amount of Request	
Pebble Beach Company	$100,000	Test well at Del Monte Golf Course to remove from Cal-Am potable supply system.
City of Monterey	$85,000	Peninsula-wide water recovery and reclamation system for storm and non-storm water flows.
City of Seaside	$132,000	Modifications and improvements to Laguna Grande well for non-potable uses to offset existing potable uses
City of Pacific Grove	$75,000	Oceanview Boulevard Stormwater Project. Source water for Pure Water Monterey
Total Requested	**$392,000**	
Prior Award – Pacific Grove	$100,000	FY 2014-15
Prior Award – Fairgrounds	$75,000	FY 2014-15
Prior Award – Airport	$20,000	FY 2013-14
Total Need	**$487,000**	
Budgeted Available	$295,000	
Shortfall	($192,000)	

RECOMMENDATION: The Panel should review the information provided and consider development of a recommendation to the Water Supply Planning Committee for review at its October 8, 2015 meeting.

DISCUSSION: Project eligibility, requirements that staff and the Water Supply Planning Committee will consider are as follows:

Project Purpose: Direct water supply benefit includes the development of a new water supply that may be used to offset the existing unlawful diversions of the California American Water Company from the Carmel River, as affected by the 2009 Cease and Desist Order imposed by the State Water Resources Control Board ("SWRCB"), or may result in a new additional supply of water that may serve future needs of the Monterey Peninsula.

Ancillary benefits may include, but are not limited to, the following:

- Water supply reliability, conservation, and efficiency of use;
- Water quality improvement – river, ocean, groundwater;
- Recycling or reuse of wastewater consistent with SWRCB Recycled Water Policy;
- Reduction of non-point source pollution, or point source discharge consistent with SWRCB Ocean Plan;
- Reduction of carbon-based emissions consistent with California AB32 goals;
- Storm Water capture and reuse consistent with California ASBS policy goals;
- Groundwater recharge;
- Flood management and protection of property; and
- Environmental mitigation, fisheries protection, or habitat restoration;

District Goals: Does the proposed project provide water to meet additional District goals? District goals include the following four goals:

- Can the Project provide water supply to the District for drought/rationing reserve (i.e. water that is not supplied to a beneficial use immediately upon project completion) and if so, how much?
- Can the Project provide water supply to the District for potential future reallocation to the jurisdictions (i.e. water that is not supplied to a beneficial use immediately upon project completion) and if so, how much?
- Can the project be run in a manner that would provide surplus production that could be "banked" into the Seaside Groundwater Basin utilizing the District's Aquifer Storage and Recovery project?
- Are there multiple benefits to the region or the State as described above?

Evaluation: Projects are evaluated by staff and recommendations made to the Committee based upon the following "Merit Factors."

- Application contains basic information requested
- Project produces new water supply
- Amount of new supply
- Ancillary benefits demonstrated and determined to be of value to community
- District goals identified above, are met by project.
- Feasibility of Project has been demonstrated.

- Project Schedule is well defined and feasible.
- Project Financing is well defined and contingencies examined and identified.
- Annual Cost of Water is well defined and determined by the District to be consistent with alternate water supply projects, with consideration for ancillary benefits.
- Project status with respect to permits, consultants, and land appear to be consistent with successful project completion.

EXHIBITS

2-A Pebble Beach Company Local Water Project Grant Application
2-B City of Monterey Local Water Project Grant Application
2-C City of Seaside Local Water Project Grant Application
2-D City of Pacific Grove Local Water Project Grant Application

EXHIBIT 2-A

PEBBLE BEACH COMPANY
Del Monte Golf Course TEST WELL PROJECT
Project
Grant Application Form

DATE: July 29, 2015

Eligibility Summary

Project Geographic Eligibility:	The Del Monte Golf Course is within the geographic boundaries of the Monterey Peninsula Water Management District ("District"). Benefits of the Test Well Project accrue to all water users within the territory of the District.
Project Sponsor:	The Pebble Beach Company is the Project Sponsor and is a California General Partnership located within District boundaries.
Project Purpose Eligibility:	Discovery and utilization of well water will produce a new, non-potable supply to off-set the potable supply currently used by the Del Monte Golf Course (Course) for irrigation. This off-set amount will be distributed by the District to be used for other potable supply purposes throughout the community.
Matching Requirement:	The Pebble Beach Company requests matching funds of $100,000 to off-set the cost estimated @ $160,000 to $200,000 required to perform the Test Well work.

Requirements

1) Project Sponsor: Pebble Beach Company

2) Type of entity: Private entity

3) Project Title: Del Monte Golf Course Test Well

4) Project Sponsor Contact Information:
Mr. Brent Reitz
Project Manager
Pebble Beach Company
4005 Sunridge Road
Pebble Beach, CA
93953
(831) 625-8498
reitzb@pebblebeach.com

5) Amount of Funding Requested $100,000.00

6) Project Geographic Location: City of Monterey

7) Project Purpose and Description.

a. Purpose of the project – Identify potential non-potable water source for golf course irrigation in an effort to free-up potable water for alternative District distribution.

b. Description of the project – Geologic Mapping, Research & Recommendations are complete. The scope of this funding request consists of; Project Management, Permitting, Final Well Design, Test Well Drilling Operations & Water & Well Testing. These are the next steps required to search for a self-stainable water source for The Del Monte Golf Course.

Facilities:

The Del Monte Golf Course has been in continuous use as a golf course since the 1890's. The Course has historically been irrigated with water from the municipal supply system of the Monterey Peninsula -- first from the systems that preceded California-American (Cal-Am), and now, from Cal-Am. Water supply availability on the Monterey Peninsula is increasingly impacted by regulatory and environmental constraints and all solutions under consideration to mitigate the problem will significantly increase the cost of water.

Given this, the Pebble Beach Company is looking for an alternative supply for irrigation of the Course.

Major Components:

1. The first component of the Project consisted of hiring a Consulting Hydrogeologist to develop an alternative groundwater supply on the Course property by reviewing available data to assess hydrogeologic conditions underlying and proximate to the site. The report recommendations were to construct a test well as the next step in determining the feasibility of the project. Once completed, *Actual* water testing results can be derived vs. hypothetical assumptions. Pebble Beach Company paid for this report in 2013.

2. The second phase of the project is constructing a single test well in order to obtain underground water testing results.

3. The third component of the project will be a complete evaluation of the well drilling and water testing results. Water will be tested for quality to ascertain what, if anything will be required in the way of treatment to be suitable for golf course irrigation. Flow testing will be performed in an effort to determine the need, or desire, to drill additional wells. From these actual results, logical decisions can be made related to future scope & new supply implementation.

4. This grant application is to cover the costs of the second & third phase of the work referred to above.

Operations:

The Del Monte Golf Course currently uses approximately 124 acre-feet of irrigation water annually, with a peak month consumption of approximately 23 acre-feet. This water is supplied from the California-American Water Company system.

8) District Goals:

Can the Project provide water supply to the District for drought/rationing reserve (i.e. water that is not supplied to a beneficial use immediately upon project completion) and if so, how much?

Yes, the project noted above would supply an additional non-potable water source that could be used for irrigation purposes.

Can the Project provide water supply to the District for potential future reallocation to the jurisdictions (i.e. water that is not supplied to a beneficial use immediately upon project completion) and if so, how much?

Yes, the project ultimately will be used to offset outdoor irrigation that currently uses potable water.

9) Technical Feasibility of Project. Information about the project and include as exhibits or define links to documents or websites for future reference.

Please see our response to Item 7 above.

10) Project Schedule. Describe basic project schedule milestones including, but not limited to feasibility study, conceptual design, CEQA/NEPA Process, other permits required, etc. Major milestones included in the schedule are as follow:

The well is expected to be drilled and tested by OCT 15-2015

11) Project Financing. Describe project capital costs and construction schedule, even if the project is currently applying only for "planning phase" projects. For "planning phase" projects, also describe costs for solely that phase and sources of funding.

Please see our response under "Matching Requirement" above.

EXHIBIT 2-B

CITY OF MONTEREY

Colton Hall, California Constitution Hall 1849

DEPARTMENT OF PLANS & PUBLIC WORKS

August 31, 2015

David J. Stoldt, General Manager
Monterey Peninsula Water Management District
PO Box 85
Monterey, CA 93942-0085

RE: City of Monterey MPWMD Local Water Project Grant Application

Dear Mr. Stoldt:

Attached please find the City of Monterey's application for the 2015 Local Water Project Grant through the Monterey Peninsula Water Management District.

We appreciate your consideration of our project for receipt of grant funding.

Should you have any questions regarding the application, please contact Megan Beckman at (831) 242-8724 or beckman@monterey.org.

Sincerely,

Jeff Krebs, P.E.
Principal Engineer
Planning, Engineering and Environmental Compliance
City of Monterey

Enclosures: City of Monterey MPWMD Local Water Project Grant Application
Letter of Support from City of Pacific Grove
Letter of Support from Department of the Army

Monterey Peninsula Water Management District Local Water Project Grant Application

1. **Name of Project Sponsor**

   City of Monterey, Plans and Public Works Department

2. **Type of Entity**

   Public Entity, City of Monterey

3. **Project Name or Title**

   Monterey Regional Water Recovery Study

4. **Project Sponsor Contact Information**

   Jeff Krebs, P.E.
   Plans and Public Works
   City of Monterey
   580 Pacific St, Rm 7
   Monterey, CA 93940

5. **Amount of Funding Requested**

   $85,000

6. **Geographic Location of Project**

   Monterey Peninsula: Cities of Monterey, Pacific Grove, Seaside, and Monterey County

7. **Project Purpose and Description**

   Task A-1: Examine the feasibility of Peninsula-wide water recovery and reclamation system and possibilities for sources, including finding uses of storm and non-storm water flows. Utilizing storm and non-storm water flows will reduce the Peninsula's dependence on the Carmel River aquifer, a river that supports the local steel head salmon population, as well as reduce the dependence on, and the recovery of, local aquifers.

   This project will examine the feasibility of Peninsula-wide water recovery and reclamation system, impacting the cities of Pacific Grove, Monterey, and Seaside, Presidio of Monterey, Naval Post Graduate School, Monterey Peninsula Regional Parks District, Monterey County, and the PCA. This is the first step toward implementing capital improvements to accomplish the task of providing a reliable local source of water and regional storm water management.

   The study will explore many possibilities for sources, including the capture of water at the Peninsula's major drainages at El Estero, Laguna Grande (Roberts Lake), David Ave Reservoir, and Del Monte (Navy) Lakes, installation of small and inconspicuous sewage reclamation stations, capture and diversion of waters that flow into the Pacific Grove

Area of Special Biological Significance (PGASBS), as well as the possible integration of all sources to optimize yield. Additionally, the study seeks to determine which sources of urban runoff can be feasibly harvested; which surface reservoirs are economically feasible; and identify water quality challenges associated with each source.

Task A-2: Coordinate outreach to multiple jurisdictions to determine stakeholder involvement.

Task B: Focus on how best to transport, treat, and store the water

Finding possible sources of water is but one critical aspect; this study will also focus on how best to transport, treat, and store the water. Possibilities include a bi-directional reclaimed water main that could transport non-potable water to and from the Peninsula area; smaller local treatment systems; larger regional systems, such as transport to Marina treatment works with integration into the California American (CalAm) system; and treatment and injection into local aquifers including aquifers currently containing non-potable water, such as can be found within the cities.

Task C: Develop conceptual design for the preferred project and at least one feasible alternative.

Task C-1: Work with a Technical Advisory Committee during development of concept design

Task C-2: Prepare conceptual design plans with sufficient detail of project facilities for environmental review of the preferred project and at least one feasible alternative

Task D: Identify the need for drainage basin water rights permits from the State Water Resources Control Board.

Task E: Prepare the CEQA/NEPA environmental review document

Task E-1: Prepare an initial study (IS) in conformance with the California Environmental Quality Act (CEQA) of 1970, Section 21000 et. seq. of the CEQA Guidelines (California Administrative Code Section 15000) for the proposed project. The IS will provide an analysis describing potential environmental impacts associated with the proposed project, and determine if MND/EIR is required.

The proposed IS will include the following sections:

- CEQA Determination Page
- *Table of Contents*
- *Introduction:* This section will cite the environmental review requirements of the proposed project, pursuant to CEQA.
- *Project Description:* This section will describe the proposed project. A brief description of the project's location, environmental setting, and existing uses within the area affected will be included. Text and exhibits will be used to describe and illustrate the characteristics of the proposed project. The environmental document will include a maximum of four (4) exhibits to enhance the written text and clarify the project and potential environmental impacts. Exhibits are anticipated to include: Regional Vicinity Map, Local Vicinity Map, Site Plan, and details and sections.

- *Evaluation of Environmental Impact:* Use the environmental checklist in Appendix G of the CEQA Guidelines to address the environmental topics of CEQA. This section will describe the potential impacts and mitigation measures for the proposed project.

Task E-2: At the time of grant submittal, the city lacks available funding to complete the CEQA process; however, the City will actively pursue the additional funding to complete the environmental review. Should this funding become available, the City will prepare the Public Review Draft IS/MND or EIR, as determined to be required.

Task F: Develop project implementation work plan

Task F-1: Identify additional permitting and regulatory requirements,

Task F-2: Develop project timeline/schedule

Task F-3: Prepare project work plan

8. **District Goals. Does the proposed project provide water to meet additional District goals? District goals include the following four goals:**

Can the Project provide water supply to the District for drought/rationing reserve (i.e. water that is not supplied to a beneficial use immediately upon project completion) and if so, how much?

Dependent on the feasibility of project implementation, a portion of water could be reserved for drought rationing in the future.

Can the Project provide water supply to the District for potential future reallocation to the jurisdictions (i.e. water that is not supplied to a beneficial use immediately upon project completion) and if so, how much?

The City will request a certain amount of water to be allocated to the City of Monterey and anticipates a portion for use within their jurisdiction.

Can the project be run in a manner that would provide surplus production that could be "banked" into the Seaside Groundwater Basin utilizing the District's Aquifer Storage and Recovery project?

The project will explore the feasibility of treating water to potable surface water standards to allow transport into the Seaside Aquifers utilizing the District's Aquifer Storage and Recovery Project.

Are there multiple benefits to the region or the State as described in section 6, above?

Multiple benefits to the region are expected as an outcome of project implementation, including reduced dependence upon existing surface and sub-surface waters. A

potential reduction in flows to the Pacific Grove Area of Special Biological Significance, a requirement of the State Water Resiurces Control Board, may also be achieved.

9. Technical Feasibility of this Project

This project will use existing studies, including the Monterey Vista Study, 1999 Fugro Report and ASBS Refined 2006 Feasibility Study of Alternatives Management Plan, which provide proof that the project is technically feasible, and explore other options for water reclamation, treatment and storage. (See supporting documents)

10. Project Schedule

See table below for proposed project timeline.

Schedule Category		Start Date	Completion Date
1	Project Administration	October 30, 2015	December 31, 2017
2	Assumed Grant Application approval and receipt by City Council	October 30, 2015	December 15, 2015
3	Send out RFP, review, and award contract	January 1, 2016	April 30, 2016
4	Task A: Examine the feasibility of Peninsula-wide water recovery and reclamation system and possibilities for sources; Stakeholder outreach and coordination	May 1, 2016	July 31, 2016
5	Task B: Focus on how best to transport, treat and store the water.	August 1, 2016	September 30, 2016
6	Task C: Develop conceptual design for the preferred project and at least one feasible alternative.	October 1, 2016	January 30, 2017
7	Task D: Obtaining drainage basin water rights.	October 1, 2016	January 30, 2017
8	Task E: Prepare the CEQA/NEPA IS environmental review document	February 1, 2017	June 30, 2017
9	Task F: Develop project implementation work plan.	July 1, 2017	December 31, 2017

11. Project Financing

See table below for proposed project financing.

Budget Category		City Share (Cost Match) 50%	Requested District Share (Grant Funding) 50%	Total 100%
1	Direct Project Administration Costs (6%)	$5,100	$5,100	$10,200
2	Task A: Examine the feasibility of Peninsula-wide water recovery and reclamation system and possibilities for sources; Stakeholder outreach and coordination	$10,000	$10,000	$20,000
3	Task B: Focus on how best to transport, treat and store the water	$20,000	$20,000	$40,000
4	Task C: Develop conceptual design for the preferred project and at least one feasible alternative.	$34,000	$34,000	$68,000
5	Task D: Obtaining drainage basin water rights.	$5,000	$5,000	$10,000
6	Task E: Prepare the CEQA/NEPA IS environmental review document	$5,900	$5,900	$11,800
7	Task F: Develop project implementation work plan.	$5,000	$5,000	$10,000
	Grant Total [Sum (a) through (g) for each column]	$85,000	$85,000	$170,000
Source(s) of funds for Non-State Share (cost match)		NIP	n/a	

12. Annual Cost of Water

Cost per acre-foot of water produced per year will be determined by the study outcome.

13. Land and Right of Way Requirements Status

The drainage basins' utilized surface water rights will be required.

14. Permits

Required permits will be determined through implementation of the work plan.

15. Consultants, Plans, and Bids

The City will follow city purchasing rules regarding the use of hiring consultants and requesting bids, which includes the RFP (Request for Proposals) and Call for Bids process.

CITY OF PACIFIC GROVE
300 Forest Avenue ▫ Pacific Grove, California

August 28, 2015

David J. Stoldt, General Manager
Local Project Application
Monterey Peninsula Water Management District
PO Box 85
Monterey, CA 93942-0085

RE: City of Monterey MPWMD Local Water Project Grant Application

Dear Mr. Stoldt:

This letter is written in support of the City of Monterey's MPWMD Local Water Project Grant application to conduct a Monterey Regional Water Recovery Study. The Study will examine the feasibility of creating a Peninsula-wide water recovery and reclamation system and possibilities for sources, including finding uses of storm water flows to reduce ocean pollution. For several years the City of Pacific Grove has collaborated with the City of Monterey on projects and studies regarding storm water management and the water quality of the Pacific Grove Area of Special Biological Significance. The City of Pacific Grove looks forward continuing this relationship as it applies to the Study.

The Study is the first step toward implementing capital improvements to provide a reliable source of water to the Monterey Peninsula. The Study will positively impact both the City of Monterey and City of Pacific Grove as well as the City of Seaside, Monterey County, Presidio of Monterey, Naval Post Graduate School, Monterey Peninsula Regional Parks District, and the Monterey Regional Water Pollution Control Agency.

The City of Pacific Grove strongly supports this application and encourages the approval of funding.

Sincerely,

Thomas Frutchey
City Manager

Phone (831) 648-3106 ▫ Fax (831) 657-9361 ▫ www.ci.pg.us

DEPARTMENT OF THE ARMY
UNITED STATES ARMY INSTALLATION MANAGEMENT COMMAND
HEADQUARTERS, US ARMY GARRISON, PRESIDIO OF MONTEREY
DIRECTORATE OF PUBLIC WORKS
BLDG. 4463 GIGLING RD. – PO BOX 5004
MONTEREY, CA 93944-5004

REPLY TO ATTENTION OF

IMPM-PW

18 August 2015

MEMORANDUM FOR: David J. Stoldt, General Manager, Monterey Peninsula Water Management District.

SUBJECT: Letter of Support for Local Water Project Grant Application for Monterey Regional Water Recovery Study

Mr. Stoldt,

My name is Andrew Stillwell and I am the Public Utilities Manager for the US Army Garrison Presidio of Monterey and Ord Military Community. I manage all of the privatized utility contracts the US Army has with local utility providers, including the storm water contract we have with the City of Monterey.

I am writing this letter to support the City of Monterey's application for grant funding to conduct a Monterey Regional Water Recovery Study. This study will examine the feasibility of creating a peninsula-wide water recovery and reclamation system, including possibilities for sources and reducing storm water flows to the ocean. This study is the first step toward implementing capital improvements to accomplish the task of providing a reliable, local, source of water. This project will have a direct, positive, impact on the Monterey Peninsula including the Presidio of Monterey.

As we all know, water is a precious resource on the Monterey Peninsula and I strongly support this application. Anything we can do to conserve or reclaim water and identify new water sources is money well spent during this drought and I hope that you will support this application as well.

Please feel free to contact me at 831-242-3100 or andrew.n.stillwell.civ@mail.mil if you have any questions or concerns.

ANDREW STILLWELL
Public Utilities Manager
Directorate of Public Works
USAG Presidio of Monterey

EXHIBIT 2-C

RESOURCE MANAGEMENT SERVICES
440 Harcourt Avenue Telephone (831) 899-6737
Seaside, CA 93955 FAX (831) 899-6211

September 1, 2015

David J. Stoldt, General Manager
Local Projects Application
Monterey Peninsula Water Management District
PO Box 85
Monterey, CA 93942-0085
Via email dstoldt@mpwmd.net

Subject: Grant Application for Local Water Project

Please find enclosed an application for grant monies to design and construct a system to provide non-potable water for public works activities such as sewer line cleaning, street sweeping, storm drain cleaning, and other irrigation and construction needs. The City of Seaside proposes to design and construct modifications to an existing irrigation well located in Laguna Grande Park to provide water to public works vehicles and others needing water for maintenance and construction activities. Since the Laguna Grande well does not draw water from the Carmel River Basin or the Seaside groundwater basin, the proposed project would benefit both the Cal Am and Seaside Municipal Water System. The City believes that other municipalities and construction firms would also benefit as the water would be made available to those wishing to draw water from the proposed hydrant.

Please contact Rick Riedl, Senior Civil Engineer to discuss any questions or comments.

Sincerely,

Tim O'Halloran, PE
City Engineer / Public Works Services Manager

Copy: John Dunn, City Manager
Diana Ingersoll, Deputy City Manager – Resource Management Services
Rick Riedl, Senior Civil Engineer

Grant Application by City of Seaside Local Water Project

September 1, 2015

Eligibility Summary

Project Name:	Public Works Non-Potable Water from the Laguna Grande Well
Project Geographic Location:	Project is located in the City of Seaside along Canyon Del Rey Boulevard near Harcourt Ave (36°36'14.79"N, 121°51'16.93"W)
Project Sponsor:	City of Seaside, a public entity.
Project Purpose:	The proposed project will offset existing potable water used for public works and construction activities. The project would produce non-potable water for public works activities such as sewer line cleaning, street sweeping, storm drain cleaning, and other irrigation and construction needs. The water would be made available to other public entities external to the City of Seaside. The water could also be used for private project construction water needs. Since the Laguna Grande well does not draw water from the Carmel River Basin or the Seaside groundwater basin, project benefits would accrue to Cal Am and Seaside Municipal Water System. Activities that currently use potable water for sewer line flushing, street sweeping, storm drain cleaning, irrigation and construction grading could use the proposed project to offset the use of potable water from these entities.
Project Description:	The proposed project would modify an existing irrigation well located in Laguna Grande Park. The project would add motor controls, flow controls, below grade piping and a hydrant for filling vehicles. Vehicles needing water would park on Canyon Del Rey Boulevard or in the Laguna Grande parking lot to fill up by attaching a hydrant meter and hose to the proposed hydrant. The project could deliver water from the proposed hydrant at the maximum safe filling rate of about 200 gpm. The actual maximum filling rate would be determined during the design phase. The water would be available year round. The City proposes to hire an engineering firm to design the system and then solicit bids for construction. Design and construction is estimated to take about nine months.
Requested Funds:	The city is requesting $132,000 to design and construct the project. Additional funding would be required to operate and maintain the project.

The City proposes that users of the facilities would be billed for usage to compensate for operation and maintenance costs. Additional charges to reimburse for capital may be warranted.

Matching Funds: The City of Seaside does not have matching funds available.

However, reimbursement of funds expended could be derived from user fees. The City is interested in discussing with the District possible methods of reimbursement of grant funds.

Technical Feasibility: The existing well produces about 20 acre-feet per year (AFY) for irrigation. Since the well is used for irrigation, it produces water at about 600 gpm The proposed project would install controls on the well to reduce the flow to a safe and manageable flow for the filling trucks. The proposed project would control the flow for filling vehicles by adding a variable frequency drive (VFD) and accumulator tank with automatic shut off. In this way, the well pump would run at a much lower rate that would be safe for filling vehicles.

Project Schedule: The proposed project is shown below in days after notification of grant award.

- Award Design 60 days
- Complete CEQA 90 days
- Complete Design 120 days
- Bidding 180 days
- Award Construction 240 days
- Complete Construction 270 days

No additional permits would be required as the well is not located within the Coastal Zone (see Figure 1-2a, "Coastal Zone Subareas" from Seaside's LCP) or the Seaside Groundwater Basin.

Project Financing: Estimated project costs are as follows

- Construction $72,000
- Planning, Design and Permitting $30,000
- Contingency 30% $30,000
- Total Estimated Cost $132,000

If the District does not provide a grant for the entire project amount, the City is unable to fund the project and would not proceed.

Annual Cost of Water:

Estimated annual operating costs for producing 5 AF of water for public works vehicles are as follows:

• Electricity	$2,500
• Maintenance	$3,700
• Capital Cost Recovery (Construction Costs) (20 years at 2.5% IRR)	$6,000
• Capital Cost Recovery (Soft Costs) (50 years at 2.5% IRR)	$1,400
• Total Annual Cost	$13,600

Assuming the system produces 5 AFY, the annual cost of water would be $2,720 per AF.

Land

The land is owned by the City of Seaside and the Monterey Peninsula Regional Parks (APN 011-371-006).

Permits

No permits are envisioned for the proposed project because the site is owned by the City and a similar non-potable water filling station was previously operated by the City at this site. The previous system (now defunct) did not have a motor or flow control but instead wasted excess water to the lake to provide the remainder as safe and manageable flows for filling vehicles.

Consultants, Plans, and Bids

The City would retain consultants to prepare construction documents that would be used to solicit competitive bids to construct the project. The City received a proposal from Salinas Pump several years ago to install a system similar to the one proposed and was used as a basis for this cost estimate.

Attachments

Figure 1-2a, "Coastal Zone Subareas" from Seaside's LCP showing proposed project location

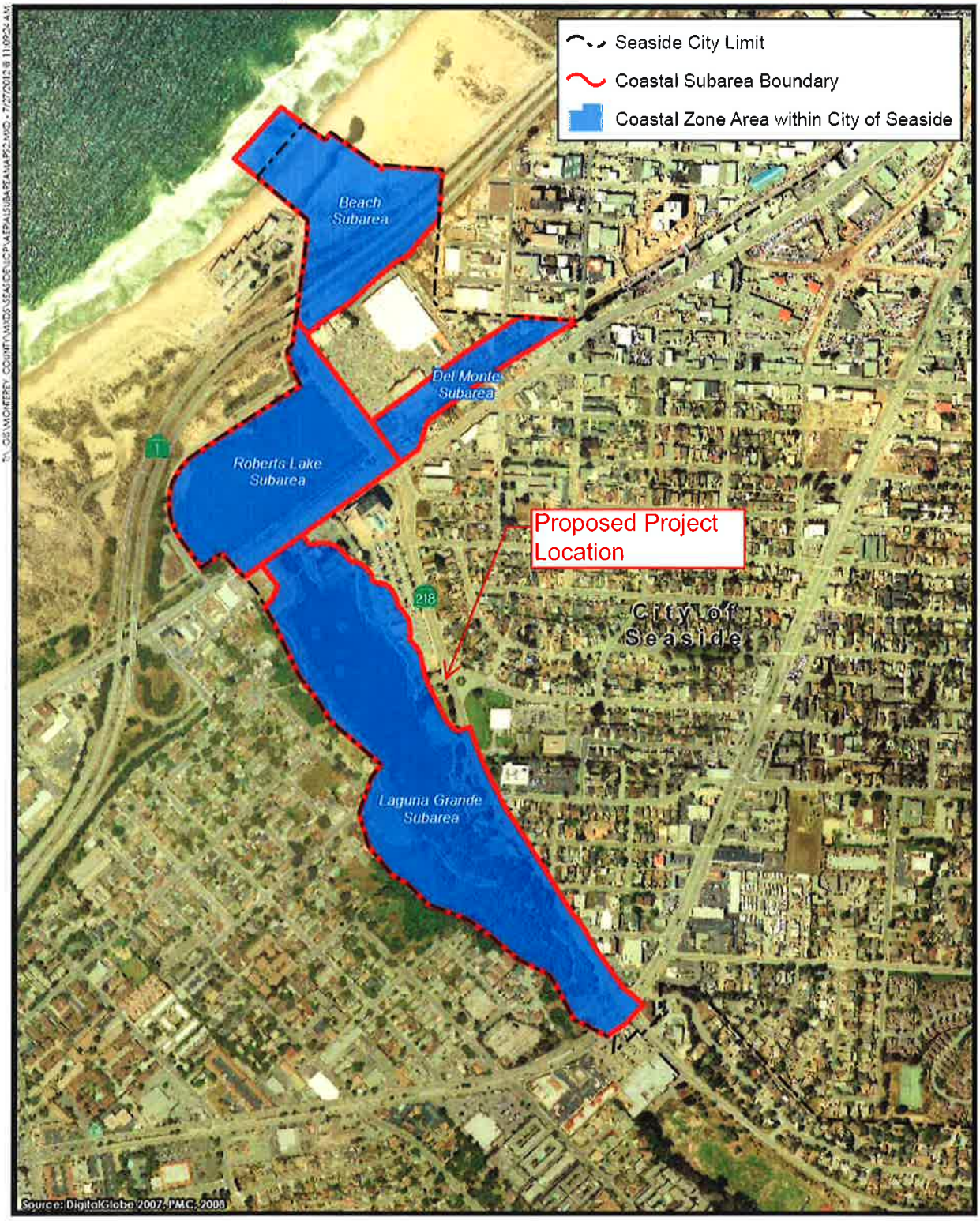

Figure 1-2a
Coastal Zone Subareas

PMC

EXHIBIT 2-D

CITY OF PACIFIC GROVE
Public Works Department
300 Forest Avenue, Pacific Grove, CA 93950

September 1, 2015

David Stoldt, General Manager
Local Water Projects Application
Monterey Peninsula Water Management District
PO Box 85
Monterey CA, 93942-0085

RE: Pacific Grove Ocean View Boulevard Stormwater Project Grant Application

Dear Mr. Stoldt,

The City of Pacific Grove is pleased to submit the attached application for funding from the Monterey Peninsula Water Management District for the Ocean View Boulevard Stormwater Project. The City is requesting $75,000 in funding from MPWMD this fiscal year, matched by a City contribution of $75,000. The Project has potential to produce 417 AFY of potable water supply from stormwater that currently flows to the Monterey Bay and Pacific Ocean.

The project would divert both wet and dry weather flows from Pacific Grove and New Monterey watershed areas into upgraded stormwater collection and treatment systems. This water can contribute to the Groundwater Replenishment Project in the Seaside Groundwater Basin for withdrawal and distribution as potable water by Cal-Am under the management of the District.

We look forward to your consideration of our request and to continue to work together collaboratively to address water issues facing the Monterey Peninsula region.

If you have any questions, please contact me at (831) 648-3188 or jkahn@cityofpacificgrove.org.

Sincerely,

Jessica Kahn

Jessica Kahn
Environmental Programs Manager

1) Name of Project Sponsor:	City of Pacific Grove
2) Name of Project Sponsor:	(i) Public Entity
3) Project Name or Title:	Ocean View Boulevard Stormwater Project
4) Project Sponsor Contact Information:	Jessica Kahn, PE, Environmental Programs Manager City of Pacific Grove Public Works Department 300 Forest Ave Pacific Grove, CA 93950 t(831)648-3188 jkahn@cityofpacificgrove.org
5) Amount of Funding Requested:	$75,000
6) Geographic Location of Project:	The project is located in the City of Pacific Grove, primarily within the Ocean View Boulevard right-of-way from Forest Avenue west to the retired PGWWTP at Point Pinos.

7) Project Purpose & Description:

The primary project purpose is to update and complete the planning, engineering and regulatory analysis to produce a new potable water supply from stormwater that currently flows to the ocean and is not in compliance with the Pacific Grove ASBS Special Protections.

The project would produce up to 417 AFY of new potable water for the region while achieving up to a 90% reduction in pollutant loading during storm events. This will be accomplished by the completion of the plans to extend the City's successful dry weather stormwater elimination program both seasonally and geographically. Dry and wet weather stormwater system flows would be captured, diverted and conveyed to MRWPCA RTP and the advanced water treatment facility for participation in the Pure Monterey (formally Groundwater Management Project or GWR) project.

Additional project objectives and benefits:

a. Produce an in lieu potable water offset that fully integrates with the City's Satellite Recycled Water Treatment Plant Project at Point Pinos (i.e., Pacific Grove's "Local Water Project") and that is financially and technically feasible;
b. Produce new potable water by developing dry and wet weather storm system flows that supplement source water to the MRWPCA's indirect potable reuse project;
c. Contribute new supplies of recycled storm water into regionally available potable water supplies;
d. Effectively manage nuisance water discharges and watershed runoff in a manner that protects water quality and facilitates reuse;
e. Facilitate future additions of stormwater BMPs for capture and reuse that will further enhance water quality and recycled stormwater reuse;
f. Expand existing dry weather diversion system to collect runoff west of Lovers Point and thereby eliminate current ocean discharges;
g. Reduce regulatory uncertainty by addressing the requirements of the ASBS Special Protections that impact the cities of Monterey and Pacific Grove;
h. Produce a project that is operationally consistent with and does not exceed hydraulic capacities of MRWPCA's collection and treatment systems; and,
i. Result in a project that maximizes its eligibility for additional state and federal financial support for design completion, construction, and operation.

Project Description: The project would divert both wet and dry weather flows from Pacific Grove and New Monterey watershed areas into upgraded stormwater collection and treatment systems. Flows would be directed to a new stormwater detention facility at the former Point Pinos Wastewater Treatment Plant site and the MRWPCA RTP in Marina. MRWPCA would use this water to serve its Groundwater Replenishment Project in the Seaside Groundwater Basin for withdrawal and distribution as potable water by Cal-Am under the management of the District.

The City of Pacific Grove, in collaboration with the City of Monterey, has completed a 40 percent engineering design development. The analysis defines the Ocean View Boulevard Conveyance System sub-project and a Point Pinos sub-project that includes the proposed stromwater treatment facility. A project EIR was certified for a comprehensive ASBS Stormwater Management Project. The EIR includes Alternative 2: Treatment at the MRWPCA. This grant application focuses on several portions of the five sub-projects developed in those documents with proposed modifications of the Ocean View Boulevard Conveyance and Point Pinos Stormwater Treatment Facility and Crespi Pond sub-projects.

The hybrid project would consider stormwater detention at the PPWWTP Site. However, treatment of stormwater would be excluded since stormwater does not need to be treated before discharge to the sewer. One or more CDS units would be included to keep debris out of the system. Detention facilities would be sized and constructed adequate for the diverted stormwater flows to the PPWWTP site, thereby not overloading the MRWPCA.

MRWPCA would receive 100% of the diverted storm water that would supplement source waters to Pure Monterey as indirect potable reuse and to Castroville Seawater Intrusion Project (CSIP) for non-potable irrigation reuse. Stormwater flows would be metered into the sewage collection system in close coordination with the MRWPCA.

When stormwater flows exceed the 85 percentile event, diversion pumps could be shut off and stormwater would flow as currently occurs. Optionally, the City could capture end of season flows for management within its Satellite Recycled Water Treatment Plant project.

Onsite detention storage capacity could similarly be managed to produce a "peaking volume" that the City can draw upon if needed to meet peak irrigation demands, thereby adding flexibility into its recycled water system.

Grant funds would be used for the following purposes:

- Analyze a new hybrid project consisting of conveyance, detention and discharge facilities to MRWPCA that makes optimal use of existing facilities. This new project would be a hybrid of the 40% Design Engineering study, its alternative, and the Alternative 2 presented in the certified ASBS EIR;
- Update the engineering design of the ASBS Stormwater Management Project in conformance with the City's Satellite Recycled Water Treatment plant Project;
- Confirm and update the underlying assumptions for hydraulic, hydrologic, civil engineering, environmental and regulatory analysis;
- Review and confirm inclusion of previously identified project alternative components for inclusion in the final project description;
- Update the project to be consistent with other regional water supply projects (City of Monterey's David Avenue Reservoir Project), MRWPCA's Pure Water Monterey Project (formally GWR),the Castroville Seawater Intrusion Project (CSIP), and Cal-Am's seawater desalination project (Monterey Peninsula Water Management Project) and the City's Satellite Recycled Water Project;
- Prepare and submit application packages for grants and low interest loan financing from the SWRCB, DWR, USEPA, and others as applicable.

Proposed Project Facilities: The following facilities have been identified from studies completed to date. These facilities represent the current status of the project and are subject to revision based on the results of this project and the development of a new hybrid project.

a. Approximately 1,100 feet of new gravity storm drain pipeline and 8,000 feet of pipe lining within an existing abandoned sewer force main;
b. Diversion and bypass structures to direct stormwater from the existing storm drains into the new system components;
c. A 320,000-gallon underground storage facility at the intersection of Caledonia Street and Pacific Avenue.
d. A new CDS unit to remove trash and sediment prior to entering the new underground storage facility;
e. Three new pump stations along Ocean View Boulevard designed to convey stormwater through the retrofitted existing sewer force main to the PGWWTP site;
f. A 430,000 gallon Wet Weather Equalization Basin; and,
g. Approximately 1,800 LF of Conveyance Pipeline.

8) District Goals:

8.1 *Can the Project provide water supply to the District for drought/rationing reserve (i.e. water that is not supplied to a beneficial use immediately upon project completion) and if so, how much?*

Yes; the proposed project will divert up to an estimated 417 AFY (almost 136 million gallons per year or roughly, when converted to potable water supplies, enough to meet the annual needs of about 2,000 families). The stormwater produced by this project would be used as an additional source to the Pure Monterey Project (GWR) for indirect potable reuse and if needed for the CSIP for agricultural irrigation by banking produced water into the Seaside Groundwater Basin (SGWB).

8.2 *Can the Project provide water supply to the District for potential future reallocation to the jurisdictions (i.e. water that is not supplied to a beneficial use immediately upon project completion) and if so, how much?*

Yes. Water diverted by the proposed project would be purified at the RTP and then injected into the SGWB to renovate the basin. Water injected into the SGWB would be under the management of the District and therefore available for future reallocation to the jurisdictions.

8.3 *Can the project be run in a manner that would provide surplus production that could be "banked" into the Seaside Groundwater Basin utilizing the District's Aquifer Storage and Recovery project?*

Yes. The proposed project would specifically convey stormwater to the RTP for recycling and participation in the GWR for injection into the Districts Aquifer Storage and Recovery (ASR) Project. See responses to 8.1 and 8.2 above.

8.4 *Are there multiple benefits to the region or the State as described in section 6, above?*

Yes. Multiple benefits result to the region and the State as identified in Section 7.a through 7.i above. These benefits include water quality protection, water supply augmentation, improvements to water supply reliability and drought protection as well as both non-potable and indirect potable reuse. From a statewide basis the proposed project helps to strengthen the regional self-sufficiency for water supplies while protecting valuable environmental resources of offshore habitat.

9) Technical Feasibility of Project:

Based on the work completed to date, the proposed project has been determined to be technically feasible. A hyperlink to the 40% Design Engineering Report is attached:
http://www.cityofpacificgrove.org/modules/showdocument.aspx?documentid=10782

The environmental documentation for the City's overall stormwater program, inclusive of this proposed project is available at the following hyperlinks:

Draft EIR: http://www.monterey.org/Portals/1/peec/stormwater/Monterey-PG_ASBS_Stormwater_Management_Project_DEIR.pdf

Final EIR: http://www.ci.pg.ca.us/modules/showdocument.aspx?documentid=10633

Additionally, the City has already determined the technical feasibility of the current portions of the dry weather stormwater project that have been operated successfully for the past five years.

10) Project Schedule:

Table 1 presents the milestone schedule for the proposed project inclusive of the following topic areas: updating of the feasibility study, conceptual design update, supplemental CEQA/NEPA process, major permits required.

Table 1. Milestone Schedule

WBS	Milestone Activity	Start Date	End Date	(Months)	Notes:
1	Grant Award	10/01/2015	10/01/2015	0.0	Project start will occur upon authorization of MPWMD Grant.
2	Update Project Description	10/01/2015	11/30/2015	2.0	
3	SWRCB Grant Application	10/06/2015	11/20/2015	1.5	
4	Inter-Agency Coordination	10/01/2015	06/17/2016	6.0	Activity occurs throught project duration
5	Prepare Facility Plan Report	12/20/2015	06/17/2016	6.0	
6	Regulatory Coordination & Permit Aps.	12/20/2015	06/17/2016	6.0	Activity occurs throught project duration
7	CEQA - Plus	10/01/2015	03/29/2016	6.0	
8	Financial Study for Construction	04/18/2016	06/17/2016	2.0	

11) Project Financing:

11.1 Project capital costs: Preliminary engineering capital cost estimates for the proposed improvements include material and labor costs, contingency (15%), project complexity factor (15%), engineering design (13%), construction management (8%), administrative and legal fees (2.5%) and inflation factor (4%). The proposed project described in this grant proposal consists of the components presented in Table 2.

Table 2. Preliminary Project Capital Cost & Annual Debt Payment

Sub-Project	Description	Capital Costs	Annual Debt Payment
3	Ocean View Blvd. Conveyance	$6,813,338	$457,963
4	Point Pinos Stormwater Treatment Facility	$4,973,686	$334,310

11.3 Planning Phase Costs and Funding Sources: Table 3 presents the anticipated costs associated with the updates to the planning, engineering, environmental and regulatory work. Sources of these funds are also presented.

Table 3. Planning Phase Costs and Funding Sources			
No.	**Description**	**Costs**	**Sources**
1	Updating of Proposed Project Description	$40,000	MPWMD and SWRCB
2	Facilities Plan Report	$150,000	MPWMD and SWRCB
3	Supplemental Engineering Analysis	$45,000	IRWMP Proposition 84
4	Supplemental CEQA Plus Documentation	$70,000	IRWMP Proposition 84
5	Regulatory Coordination & Initial Permit Aps.	$25,000	IRWMP Proposition 84
6	Financial Study for Project Construction Funding	$20,000	IRWMP Proposition 84

11.4 Expected method of financing the capital costs source of debt repayment and security: A part of the proposed project will be the analysis of payment for capital costs of the project. This will include a review of potential sources of funds and security. Currently the City envisions that a portion of the project would be grant fundable through the DWR Proposition 84 Program and the SWRCB State Revolving Find low-interest loan program.

11.5 Demonstrate applicant's matching share funding without MPWMD Assistance:

The City has previously spent over $250,000 for the urban diversion system investigations. This has included money from the City's general fund to meet these project costs.

12) Annual Cost of Water:

The costs presented in this grant application reflect the Ocean View Boulevard Conveyance and the Point Pinos Stormwater Treatment Facility sub-projects. Costs have not yet been determined for the development of the new hybrid project. The hybrid would include removal of the stormwater treatment facility at Point Pinos, removal of the Crespi Pond diversion and energy dissipater, inclusion of a new detention facility at Point Pinos or the operational controls needed to synchronize the various project components.

Therefore, for simplicity, this grant application makes use of the cost analyses for the Ocean View Boulevard and the Point Pinos Stormwater Treatment Facility sub-projects with the understanding that the hybrid project under consideration is anticipated to cost significantly less than the full costs of these two sub-projects.

12.1 Estimated operating costs and capital cost recovery on an annual basis: O&M costs were prepared in the 40% Design Study to include the cost of labor, materials, and energy for equipment, structural and landscape components. Annual operation costs were assumed to be 3% of the preliminary capital cost estimate and were projected to increase annually by 1.5% for inflation.

O&M costs for the Ocean View Boulevard sub-project were estimated at $235,900 and $172,300 for the Point Pinos Stormwater Treatment Facility sub-project.

12.2 Estimated cost per acre-foot of water produced per year: The estimated production costs of 417 AF/Y would be based the capital and O&M costs previously developed. Assuming a 30-year operation of the project (based on a 30-year construction SRF loan at 2%) the unit cost for the project as previously proposed would be $2,880. It should also be noted that in addition to the potable water that results from the project a significant avoided cost from noncompliance with the ASBS Special provisions would benefit the City.

12.3 Annual and periodic renewal and replacement requirements: The annual O&M requirements are for the inspection, oversight, maintenance of the diversion pumps and pipelines. These activities are consistent with the City's current responsibilities for its existing dry weather diversion system.

13) Land:

13.1 Site and/or right-of-way requirements and status: The City owns the rights-of-way included in the proposed project. As currently configured, no new rights-of-way would need to be acquired.

13.2 Identify any approvals to date: The Final EIR for the Monterey-Pacific Grove Stormwater Management Project (SCH#: 2013101005) was certified by the City of Pacific Grove on June 18, 2014 and by the City of Monterey on August 5, 2014. The project was approved by both the City of Pacific Grove and the City of Monterey.

14) Permits required, schedule for approval, and already acquired permits:

The City of Pacific Grove is the Lead Agency for the project. The City of Monterey is a cosponsor and a Responsible Agency. The California Coastal Commission is also a Responsible Agency for the project.

Approvals and other permits that may be required from local, regional, state, and federal agencies as physical development occurs pursuant to the proposed project are as follows:

- Municipal Approvals and Permits
- City of Pacific Grove: Use Permit, Building Permit, Tree Removal Permit(s), and Encroachment Permits

State Permits:

- California Coastal Commission: Coastal Development Permit
- Central Coast Regional Water Quality Control Board/State Water Resources Control Board: Construction General Permit (CGP), Industrial General Permit (IGP) (for applicable built facilities), National Pollutant Discharge Elimination System (NPDES) Permit, Clean Water Act Section 401 certification or Waste Discharge Requirements (WDR), and compliance with existing Phase II Small Municipal Separate Storm Sewer System (MS4) General Permit requirements.
- California Department of Public Health: approval of treated stormwater for irrigation purposes
- California Department of Fish and Wildlife: 1602 Streambed Alteration Agreement
- California Department of Water Resources Division of Safety and Dams: approval of David Avenue Reservoir improvements

Federal Permits

- U.S. Army Corps of Engineers – Clean Water Act Section 404 Nationwide Permit

15) Consultants, Plans, and Bids:

The City has prepared the 40% Design Engineering and Certified EIR for the Monterey-Pacifiic Grove ASBS Stormwater Management Project. This proposal was prepared by Fall Creek Engineering with input from Brezack & Associates Planning (B&AP) who have assisted in the development and review of both of those documents. Additionally, B&AP has worked extensively on the development and analysis of the City's Satellite Recycled Water Treatment Plant Project that would directly integrate with this proposed project. Any consultant contracted for this project must have have knowledge and experience with the funding, analysis and review requirements for the Facilities Planning Grant, CEQA-Plus and SRF Loan financing. The City has not received any bids.

ORDINANCE NO. 152 OVERSIGHT PANEL

3. DISCUSS GROUNDWATER REPLENISHMENT PROJECT CREDIT STRUCTURE AND O&M COST REQUIREMENTS UNDER WATER PURCHASE AGREEMENT

Meeting Date: **September 24, 2015**

From: **David J. Stoldt,**
General Manager

Prepared By: **David J. Stoldt**

SUMMARY: The Board of Directors of the Monterey Regional Water Pollution Control Agency ("Agency") has approved its Resolution No. 2014-03 authorizing its General Manager to sign and file, for and on behalf of the Agency, an application to the State Water Board for financing from the State Revolving Fund Loan Program that would support the construction of the Pure Water Monterey Project. The loan application required an official resolution to be adopted by the Board of Directors of the Agency and the District verifying support of the loan.

Because repayment of any such loan will be made from revenues received by the District from sale of Water to California American Water, the District wanted to show that it dedicates and pledges wholesale water sales revenues from the water purchase agreement, and its ability to raise a District Water Supply Charge through the Proposition 218 process as additional support should revenues from the water purchase agreement be insufficient or interrupted, to payment of any and all Clean Water State Revolving Fund and/or Water Recycling Funding Program financing for the Pure Water Monterey Groundwater Replenishment Project.

Attached as **Exhibit 3-A** is MPWMD Resolution 2015-14 that commits the District to collecting such revenues and maintaining such funds throughout the term of such financing and until the repayment obligation thereunder is satisfied unless modification or change is approved in writing by the State Water Resources Control Board. So long as the financing agreements are outstanding, the District's pledge shall constitute a lien in favor of the State Water Resources Control Board on the foregoing funds and revenues without any further action necessary. So long as the financing agreements are outstanding, the District commits to maintaining funds and revenues at levels sufficient to meet its obligations under the financing agreements.

However, because the application and loan will be made in the Agency's name, our pledge and commitment are in support of a similar pledge made by the Agency. Attached as **Exhibit 3-B** is a list of selected provisions from the water purchase agreement for the Pure Water Monterey Project.

EXHIBIT
3-A MPWMD Resolution 2015-14
3-B Selected Provisions from Water Purchase Agreement for Pure Water Monterey Project

EXHIBIT 3-A

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

RESOLUTION NO. 2015-14

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE MONTEREY PENINSULA WATER MANAGEMENT DISTRICT IN SUPPORT OF A FINANCIAL ASSISTANCE APPLICATION FOR A FINANCING AGREEMENT FROM THE STATE WATER RESOURCES CONTROL BOARD FOR THE PLANNING, DESIGN AND CONSTRUCTION OF THE PURE WATER MONTEREY GROUNDWATER REPLENISHMENT PROJECT

WHEREAS, the Board of Directors of the Monterey Peninsula Water Management District ("District") on April 20, 2012 approved a three-party Memorandum of Understanding with the Monterey Regional Water Pollution Control Agency ("Agency") and California American Water to develop the Pure Water Monterey Groundwater Replenishment Project ("Project"); and

WHEREAS, the Board of Directors of the District on July 31, 2013 approved a sixteen-party proposed Settlement Agreement to develop the Monterey Peninsula Water Supply Project, including the Pure Water Monterey Groundwater Replenishment Project, as part of Application A.12-04-019 at the California Public Utilities Commission; and

WHEREAS, the Board of Directors of the District on October 8, 2014 approved a five-party Memorandum of Understanding Regarding Source Waters and Water Recycling in support of the Pure Water Monterey Groundwater Replenishment Project; and

WHEREAS, the Project would produce replacement water sources and groundwater storage to allow California-American Water Company to extract 3,500 AFY from the Seaside Groundwater Basin to meet its obligations to find a replacement to its use of water from the Carmel River; and

WHEREAS, the District will enter into a Water Purchase Agreement for the sale of the product water and creation of revenues that will pay the costs of the Project; and

WHEREAS, the Board of Directors of the District on April 20, 2015 authorized utilization of the District credit for financing of the Pure Water Monterey Groundwater Replenishment Project; and

WHEREAS, the Board of Directors of the Agency has approved its Resolution No. 2014-03 authorizing its General Manager to sign and file, for and on behalf of the Agency, in the State Revolving Fund application process; and

WHEREAS, the State Water Board offers a State Revolving Fund Loan Program that would support the construction of the Project; and

WHEREAS, the loan application requires an official resolution to be adopted by the Board of Directors of the Agency and the District verifying support of the loan.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Monterey Peninsula Water Management District to:

1. Verifies that it authorizes the General Manager (the "Authorized Representative") or his/her designee to sign and file for on behalf of the District, a financial assistance application or letter in support of an Agency application from the State Water Resources Control Board for the planning, design, and construction of the Pure Water Monterey Groundwater Replenishment Project;
2. Authorizes the General Manager or his/her designee to provide the assurances certifications, and commitments required for the financial assistance application, including executing a financial assistance agreement from the State Water Resources Control Board and any amendments or changes thereto;
3. Hereby dedicates and pledges wholesale water sales revenues from the water purchase agreement, and its ability to raise a District Water Supply Charge through the Proposition 218 process as additional support should revenues from the water purchase agreement be insufficient or interrupted, to payment of any and all Clean Water State Revolving Fund and/or Water Recycling Funding Program financing for the Pure Water Monterey Groundwater Replenishment Project;
4. Commits to collecting such revenues and maintaining such funds throughout the term of such financing and until the repayment obligation thereunder is satisfied unless modification or change is approved in writing by the State Water Resources Control Board. So long as the financing agreements are outstanding, the District's pledge hereunder shall constitute a lien in favor of the State Water Resources Control Board

on the foregoing funds and revenues without any further action necessary. So long as the financing agreements are outstanding, the District commits to maintaining funds and revenues at levels sufficient to meet its obligations under the financing agreements; and

5. Authorizes the General Manager or his/her designee to represent the District in carrying out the District's responsibilities under the financing agreement and compliance with applicable state and federal laws.

On motion of Director Pendergrass, and second by Director Potter, the foregoing resolution is duly adopted this 20th day of July 2015, by the following votes:

AYES: Directors Pendergrass, Potter, Brower, Byrne, Clarke, Lewis and Markey

NAYES: None

ABSENT: None

I, David J. Stoldt, Secretary of the Board of Directors of the MPWMD, hereby certify that the foregoing is a full, true and correct copy of a resolution duly adopted on the 20th day of July 2015.

Witness my hand and seal of the Board of Directors, this 27th day of July, 2015.

David J. Stoldt, Secretary to the Board

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COPY CERTIFICATION

I, David J. Stoldt, Secretary to the Board of Directors of the Monterey Peninsula Water Management District, hereby certify the foregoing is a full, true and correct copy of Resolution No. 2015-14 duly adopted on the 20th day of July 2015.

David J. Stoldt,
Secretary to the Board of Directors

7-27-15
Date

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EXHIBIT 3-B

SELECTED PROVISIONS FROM

WATER PURCHASE AGREEMENT FOR

PURE WATER MONTEREY PROJECT

THIS WATER PURCHASE AGREEMENT is made this _____ day of _____, 2015 ("Agreement") by and between California-American Water Company, a California corporation, hereinafter referred to as the "Company," Monterey Regional Water Pollution Control Agency, hereinafter referred to as the "Agency," and Monterey Peninsula Water Management District, hereinafter referred to as the "District." Collectively, the Company, the Agency, and the District are hereinafter referred to as the "Parties."

RECITALS

A. The Company has a statutory duty to serve water in certain cities on the Monterey Peninsula and in a portion of Monterey County for the boundaries of which are described in **Exhibit A** attached hereto and incorporated herein, which area is hereinafter referred to as the "Service Area."

B. The Company has been ordered by the State Water Resources Control Board in orders 95-10 and WR 2009-0060 to find alternatives to the Carmel River to fulfill its duty to serve, and the Company has applied to the California Public Utilities Commission ("CPUC") for an order seeking a Certificate of Public Convenience and Necessity for the construction of water supply facilities and authorizing the recovery of the costs for such construction in rates.

C. The Agency will be responsible for the design, construction, operation, and ownership of facilities for the production and delivery of advanced treated recycled water, such facilities known as the Pure Water Monterey groundwater replenishment project, hereinafter referred to as the "Project," and additionally described in **Exhibit B** attached hereto and incorporated herein.

D. The District will buy advanced treated recycled water from the Agency for purpose of securing the financing of and paying the operations costs of the Project. The District will sell the advanced treated recycled water to the Company subject to the terms of this Agreement.

E. The Company desires to buy advanced treated recycled water from the District for the purpose of fulfilling its duty to serve its customers within the Service Area and the District is

willing to sell advanced treated recycled water to the Company for this purpose on the terms and conditions provided for herein.

NOW, THEREFORE, the Parties agree as follows:

1. Purpose of Agreement.

The purpose of this Agreement is to provide for the sale of advanced treated recycled water from the Agency to the District and from the District to the Company derived from the Pure Water Monterey groundwater replenishment project owned and operated by the Agency, and to serve the Company's customers within the Service Area. The Parties confirm that this Agreement constitutes a contractual right to purchase advanced treated recycled water and that no water right is conferred to the Company.

2. Definitions

"Drought Reserve" means the cumulative amount of Project Water provided at the point of delivery in a Calendar Year in excess of the Project Allotment, and which is not the Operating Reserve, that would be available to provide part of a subsequent year Project Allotment during a Calendar Year when the Monterey County Water Resources Agency requests additional irrigation water from Agency sources.

"Operating Reserve" means the Project Water provided at the point of delivery in excess of the Project Allotment, and which is not the Drought Reserve, that would be available to provide part of a subsequent year Project Allotment during an interruption in Project operations.

3. Water Deliveries.

The amounts, times, and rates of delivery of water to the Company during any Calendar Year shall be in accordance with operations as determined by the Agency.

(a) Upon initial operation of the Project, the first 1,000 acre-feet of Project Water delivered shall be designated as Operating Reserve and not available for the immediate use of the Company. The Project Allotment for the first Fiscal Year will be reduced by delivery to the Operating Reserve. If after delivery to the Operating Reserve, the remaining Fiscal Year is a partial Fiscal Year, the Project Allotment will be reduced pro rata.

(b) In each subsequent Fiscal Year, Project Water delivered up to the Project Allotment shall be delivered before and deliveries to reserves and immediately available for use by the Company.

(c) In a Fiscal Year, once the Project Allotment has been delivered, the District may deliver additional Project Water for injection and storage as the Drought Reserve or Operating Reserve, but not for immediate use by the Company. The District will designate the amounts to be allocated to the Drought Reserve or the Operating Reserve.

(d) Under certain conditions, the Monterey County Water Resources Agency may request additional irrigation water from Agency sources. When such a request is made, the District may make available to the Company Project Water from the Drought Reserve in order to satisfy the Project Allotment. In no instance shall the Agency reduce Project Water deliveries to make available additional irrigation water to the Monterey County Water Resources Agency from its sources in an amount exceeding the balance available in the Drought Reserve. Only the District, with Agency consent, shall determine how much of the Project Allotment is to be comprised of releases from the Drought Reserve in a Fiscal Year.

(e) During an interruption in Project operations, the District may make available to the Company Project Water from the Operating Reserve in order to satisfy the Project Allotment. Only the District, with Agency consent, shall determine how much of the Project Allotment is to be comprised of releases from the Operating Reserve in a Fiscal Year.

(f) In no event shall the Company withdraw more Project Water than has been delivered.

(g) Failure of the District to deliver to the Company the Project Allotment in a Fiscal Year shall be an event of default subject to remedies as described in Section 20.

4. Rate of Payment for Project Water.

For Project Water furnished to the Company under this Agreement, the Company shall pay Project Water Payments to the District on a monthly basis the costs allocable to the portion of the Project Allotment delivered the previous month. The Company shall not pay for deliveries to the Operating Reserve and the Drought Reserve until such reserves are designated by the District as a portion of the Project Allotment in a month.

Estimated Fixed Project Costs and Project Operation and Maintenance Expenses for the first year of project operation are attached as **Exhibit D**.

The Company shall have the right, at its cost, to have an independent engineering firm review the estimated costs contained in **Exhibit D.**

The rate of payment for Project Water shall be $_____ per acre-foot and is computed as the sum of Fixed Project Costs and Project Operating and Maintenance Expenses as shown in Exhibit D divided by 3,500 acre-feet.

The rate of payment shall be adjusted each year by the escalation in Project Operating and Maintenance Expenses in that year.

If the actual aggregate of the Fixed Project Costs and Project Operation and Maintenance Expenses will exceed the total estimated costs set forth in the CPUC Decision, the Company shall seek CPUC approval for costs in excess of those authorized. If the actual aggregate of Fixed Project Costs and Project Operation and Maintenance Expense are less than the total estimated costs set forth, the rate of payment shall be reduced accordingly. The Company shall have no obligation to make Project Water Payments in excess of the amount set forth in the CPUC Decision unless and until the CPUC approves payment and recovery of those payments in rates.

The District covenants and agrees to pay to the Agency the revenues received from the Company from the Project Water Payments, provided however it will reduce the payment amount by any portion of the Fixed Project Costs and Project Operating Expenses paid directly by the District.

5. Time and Method of Payments.

The District shall send the Company a monthly statement of charges due for all Project Water actually delivered to meet the Project Allotment during the preceding month as measured by the Agency meters, as described in Section 10, which shall be read on a monthly basis. The Company shall pay all complete and unchallenged statements within forty-five (45) days after receipt. Statements shall be mailed to the Company at the following address:

California American Water Company
Director of Operations
511 Forest Lodge Rd # 100
Pacific Grove, CA 93950

The Company shall not be billed for Project Water delivered, but determined by the District and Agency to be deliveries to the Drought Reserve or Operating Reserve. The Company will be billed for amounts taken from the Drought Reserve and/or Operating Reserve as determined by the District pursuant to Section 11. The monthly statement shall identify amounts allocable to the Project Allotment, to/from the Drought Reserve, and to/from the Operating Reserve.