



FINAL 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 court 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.