

Ordinance 152 Citizen's Oversight Panel

2014 Annual Report to the MPWMD Board of Directors

2013-14 Topics of Discussion

The following areas of discussion represent five key topics the Panel has identified of particular interest or concern.

1. **15% Overhead Calculation:** The District presently allocates “indirect labor, supplies, and services” to the calculation of overhead. However, the District continues to include certain labor costs of the General Manager, division managers, and other staff as direct costs of “water supply.” Some members of the Panel believe that several costs identified by the District as direct costs should be included as overhead. District staff disagrees.
2. **Deficit Spending:** Given the mid-year budget adjustment to the Pure Water Monterey groundwater replenishment (GWR) project budget, the District did not identify a current source of funds for all costs and will, in fact, incur borrowing from the credit line or use of reserves to meet some GWR costs. It is expected that the practice will continue in the 2014-15 budget for GWR. Such near-term borrowing to meet current pay-as-you-go capital costs is expected by the District to be repaid from future Water Supply Charge collections. The Panel is very concerned that obligating future collections does not result in a balanced budget and results in future claims on the Water Supply Charge which impairs the ability of the District to “sunset” the charge in a timely fashion.
3. **GWR Overhead:** The Panel does not necessarily agree that MRWPCA internal staff costs should be charged to the GWR project and would like additional information about overhead charged to the project.
4. **Measure O Initiative:** District staff has indicated that it believes that Ordinance 152 would allow the Water Supply Charge to be utilized for the proposed feasibility study should Measure O be passed by the voters on June 3rd. To the contrary, at its January 2014 meeting the Panel unanimously agreed that use of the Charge for such purposes is inappropriate and strongly urges the District Board to avoid designating the Water Supply Charge for such purposes.
5. **Local Projects:** The Panel continues to support the use of a portion of the Water Supply Charge for Local Projects, such as the Pacific Grove non-potable water source and the Airport well repurposing. As such, the Panel recommends appropriation of a similar sum of money from the Water Supply Charge for the FY 2014-15 budget.

Primary Panel Function

The Ordinance 152 Citizen's Oversight Panel (the "Panel") is a committee formed for the sole purpose of providing a forum for public involvement in the budgeting and expenditure of the District's annual Water Supply Charge. The Panel is directed to meet quarterly and review proposed expenditure of funds for the water supply activities of the District. The Board does not seek consensus from the Panel, but rather input on the ongoing budgeting and expenditure of revenues raised by the water supply charge on water supply related activities. The Panel will submit an annual report for consideration by the Board of Directors. This document serves as that annual report. In the Panel's by-laws, the report is to be submitted at the September Board meeting, however, the initial panel was not constituted until December 2012, meeting for the first time in early 2013. Hence, the first year of the Panel's activities just closed.

Also under its by-laws, the Panel is expected to visit District facilities – to be scheduled by the District – to become better acquainted with water supply projects and operations. During the past year, the Panel visited the Aquifer Storage and Recovery site and heard a presentation on the Pure Water Monterey Groundwater Replenishment project.

The Panel will also, from time to time, be requested to provide community input with respect to water supply-related activities. One key area during the past year was the Panel's encouragement of the creation of funding for Local Water Project, as discussed more within this report.

Pursuant to the Ordinance, proceeds of the water supply charge may only be used to fund District water supply activities, including capital acquisition and operational costs for Aquifer Storage and Recovery (ASR), Groundwater Replenishment (GWR), and desalination purposes, as well as studies related to project(s) necessary to ensure sufficient water is available for present beneficial water use in the main CAW system. In addition to direct costs of the projects, proceeds of this annual water supply charge may also be expended to ensure sufficient water is available for present beneficial use or uses, including water supply management, water demand management, water augmentation program expenses such as planning for, acquiring and/or reserving augmented water supply capacity, including engineering, hydrologic, legal, geologic, financial, and property acquisition, and for reserves to meet the cash-flow needs of the District and to otherwise provide for the cost to provide services for which the charge is imposed. No more than fifteen (15%) of proceeds collected by reason of Ordinance No. 152 shall be used to fund general unallocated administrative overhead.

Panel Composition

The Panel meets the definition of a "legislative body" as defined by the Brown Act; therefore, all meetings shall be noticed and open to the public in compliance with the Brown Act.

The Panel is comprised of 9 members who shall reside within the boundaries of the Monterey Peninsula Water Management District. Members of the Panel shall serve at the pleasure of the District Board.

The Board shall appoint one member from a panel of three persons nominated by the Monterey Peninsula Taxpayers Association, and the Board shall appoint one member from a panel of three persons nominated by the Monterey County Association of Realtors, and each Director shall appoint 1 member to the Panel. Appointees must reside within the District boundaries and may be associated with a community group, but does not have to officially represent any community group.

- a) Each appointee shall serve a term of two years, with terms expiring on January 1, or on the date the appointing Director vacates office as a member of the MPWMD Board of Directors, whichever shall occur first.
- b) A quorum of five (5) Panel members shall be required for an official meeting to be conducted. Action may be taken by majority vote of those Panel members present.
- c) The General Manager will serve as Chair to the Panel, for purposes of facilitating meetings. District staff will provide support to the committee as appropriate.

Monterey Peninsula Water Management District

Water Supply Charge Availability Analysis

	FY 2012-2013 Revised Budget	FY 2012-2013 Audited Actuals	FY 2013-2014 Revised Budget	FY 2013-2014 Expected Actuals	FY 2014-2015 Prelim. Budget	FY 2015-2016 Prelim. Budget
Water Supply Charge	\$3,300,000	\$3,400,873	\$3,400,000	\$3,400,000	\$3,400,000	\$3,400,000
Carry-Forward Prior Year Water Supply Charge	0	0	1,413,218	1,812,885	789,939	(624,331)
Loan Proceeds for ASR	0	0	1,496,101	1,496,101	0	0
Capacity Fee	175,000	115,972	175,000	175,000	175,000	175,000
Project Reimbursement	3,736,300	2,001,556	2,326,762	2,326,762	360,450	-
Watermaster-Reimbursement	91,000	69,710	94,000	94,000	69,000	70,000
Property Taxes	115,800	162,318	317,848	317,848	507,030	300,000
Interest	1,000	4,068	3,000	3,000	4,500	5,000
Other	4,300	8,025	-	-	-	-
Capital Equipment Reserve Fund	-	-	-	-	41,800	-
Total Revenues	<u>\$7,423,400</u>	<u>\$5,762,522</u>	<u>\$9,225,929</u>	<u>\$9,625,596</u>	<u>\$5,347,719</u>	<u>\$3,325,669</u>
Direct Personnel	738,361	784,190	764,549	764,549	907,536	930,224
Legal	130,000	302,954	230,000	230,000	230,000	230,000
Project Expenditures [see below]	2,219,050	785,943	5,734,179	4,905,846	3,716,650	1,610,000
Project Expenditures-Reimbursements [see below]	3,756,300	1,508,253	2,235,762	2,235,762	398,450	-
Fixed Asset Purchases	20,500	15,944	34,300	34,300	78,150	50,000
Contingencies	10,250	-	10,250	10,250	10,250	10,250
Debt Service	145,600	80,169	230,000	230,000	230,000	230,000
Election Expense	-	-	52,500	52,500	-	100,000
Indirect Labor*	242,339	281,816	205,051	205,051	200,314	205,322
Indirect Supplies & Services*	161,000	190,368	167,399	167,399	200,700	205,718
Total Expenditures	<u>\$7,423,400</u>	<u>\$3,949,637</u>	<u>\$9,663,990</u>	<u>\$8,835,657</u>	<u>\$5,972,050</u>	<u>\$3,571,514</u>
Net Revenue Over Expenses**	<u>\$0</u>	<u>\$1,812,885</u>	<u>(\$438,061)</u>	<u>\$789,939</u>	<u>(\$624,331)</u>	<u>(\$245,845)</u>

<u>Project Expenditures</u>	FY 2012-2013 Revised Budget	FY 2012-2013 Audited Actuals	FY 2013-2014 Revised Budget	FY 2013-2014 Expected Actuals	FY 2014-2015 Prelim. Budget	FY 2015-2016 Prelim. Budget
Groundwater Replenishment Project	\$736,600	\$475,751	\$3,656,351	\$3,466,351	\$1,613,000	\$250,000
ASR Phase I	\$898,700	\$169,817	\$1,168,478	\$461,045	\$894,150	\$0
Reimbursement Projects	\$3,756,300	\$1,508,253	\$2,235,762	\$2,235,762	\$398,450	\$0
Cal-Am Desalination Application	\$0	\$96,037	\$50,000	\$50,000	\$115,000	\$160,000
Peninsula Water Supply Projects Operations Studies	\$150,000	\$0	\$0	\$0	\$0	\$0
ASR Expansion	\$150,000	\$0	\$45,000	\$45,000	\$105,000	\$750,000
Other Water Supply Projects - IFIM/GSFlow	\$250,000	\$2,898	\$275,000	\$275,000	\$225,000	\$150,000
Local Water Projects	\$0	\$0	\$150,000	\$200,000	\$200,000	\$200,000
Alternate Desal Project	\$0	\$0	\$300,000	\$300,000	\$400,000	\$100,000
Other Project Expenditures	\$33,750	\$41,440	\$89,350	\$108,450	\$164,500	\$0
Total Commitments	<u>\$5,975,350</u>	<u>\$2,294,196</u>	<u>\$7,969,941</u>	<u>\$7,141,608</u>	<u>\$4,115,100</u>	<u>\$1,610,000</u>

*: Indirect costs as percent of Water Supply Charge 12.2% 13.9% 11.0% 11.0% 11.8% 12.1%

Recent Activities:

	<u>Date</u>	<u>Amount</u>
Deep Water Desal cost sharing agreement approved	August 19, 2013	\$ 800,000
Cal-Am Desal Project Public Funds Financial Consultant (Total cost \$250,000; Phase I cost \$90,000)	September 16, 2013	90,000
GWR bond counsel services	September 16, 2013	90,000
GWR accounting services for debt equivalence	September 16, 2013	10,000
GWR Consultant to assess externalities	September 16, 2013	80,000
GWR evaluation of reclamation ditch (Schaaf & Wheeler)	October 21, 2013	40,000

** Deficit balances are paid from combination of loan, interfund borrowing, or line of credit proceeds