



# Pursuing Public Ownership of Monterey Peninsula Water System

Item 16

August 19, 2019



## Rule 19.8 Requirement

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The General Manager shall, within nine months of the effective date of this Rule 19.8, complete and submit to the Board of Directors a written plan as to the means to adopt and implement the policy [if and when feasible, to secure and maintain public ownership of all water production, storage and delivery system assets and infrastructure providing services within its territory.]

# Principal Conclusions

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- Initially examine the feasibility of acquiring the Cal-Am Main System (including Bishop, Hidden Hills, and Ryan Ranch) and only consider public ownership of the smaller Public Water Systems and District WDS, if the District has become owner/operator of the larger system.

# Assets Considered

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## Within District Territory

- Cal-Am Main System
- Ryan Ranch System
- Bishop System
- Hidden Hills System
- Monterey Pipeline
- ASR Wells 5 & 6 – Fitch Park (proposed)
- Desal Transmission Main – majority portion (proposed)
- Pasadera/Laguna Seca Wastewater System
- Carmel Valley Ranch Wastewater System
- White Oaks Wastewater System (Carmel Valley Village)
- Village Green Wastewater System (Carmel Valley Village)

## Outside District Territory

- Desalination Plant (proposed)
- Desal Pipeline (proposed)
- Castroville Pipeline (proposed)
- Desal Transmission Main – portion (proposed)
- Ambler System
- Ralph Lane System
- Chualar System
- Toro System (majority)
- Garrapata System
- Las Palmas Ranch Wastewater System
- Indian Springs Wastewater System
- Spreckels Wastewater System
- Oak Hills Wastewater System
- 3 small wastewater systems (presently under negotiation between Cal-Am and Monterey County)

## Principal Conclusions (continued)

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Evaluate whether the following four measures, taken together, indicate it is in the public interest to acquire the system and sufficiently satisfy the criterion of “feasible” inherent in paragraph A of Rule 19.8:

- **Cost to ratepayers:** Will the system be less costly to operate; how soon will total cost savings (including acquisition costs) inure to ratepayers?
- **Quality and delivery of service:** Can the District provide operations and quality of water service as good as or better than the current operator?
- **Governance:** Will public ownership provide greater local control, oversight, and transparency in rate-setting, capital planning, and operations?
- **Legally Permissible:** Will the acquisition pass muster under California’s Eminent Domain Law if Cal-Am challenges the District’s “right to take” its Main System?

## Principal Conclusions (continued)

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- Ensure there is significant potential for cost savings (with an adequate cushion to account for unanticipated cost increases) before deciding to move forward with acquisition.
- More fully develop alternate operating plans before deciding whether or not to consider a Resolution of Necessity
- Exclude non-potable systems from consideration.

# Determining Financial Feasibility

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Valuation

- RCNLD, Income Approach, Market Approach



Convert  
To Debt

- Tax-exempt financing secured by rates



Cost of  
Service  
Model

- Substitute for Cal-Am Return, Taxes, & Other

# Key Dates



	Item
<b>3<sup>rd</sup> Week of Sept</b>	Work product to District Counsel
<b>1<sup>st</sup> Week of Oct</b>	District Board real property negotiation
<b>1<sup>st</sup> Week of Nov</b>	Release of Feasibility Report to Public
<b>2<sup>nd</sup> Week of Nov</b>	Public Workshop / Special Meeting
<b>Dec / Jan</b>	Presentations to City Councils & Organizations*
<b>Feb</b>	District Board to discuss follow-up steps*

\* Only if feasibility is indicated



# Consultant Spending to Date

Thru June

Contract	Date Authorized	Contract Amount	Prior Period Spending	Current Period Spending	Total Expended To Date	Spending Remaining
Eminent Domain Legal Counsel	12/17/2018	\$ 100,000.00	\$ 42,327.70	\$ 12,712.50	\$ 55,040.20	\$ 44,959.80
Investment Banking Services	2/21/2019	\$ 30,000.00	\$ -	\$ -	\$ -	\$ 30,000.00
Valuation & Cost of Service Study Consultant	2/21/2019	\$ 355,000.00	\$ 78,883.45	\$ 46,521.34	\$ 125,404.79	\$ 229,595.21
Investor Owned Utility Consultant	2/21/2019	\$ 100,000.00	\$ 35,974.94	\$ -	\$ 35,974.94	\$ 64,025.06
District Legal Counsel		\$ 30,000.00	\$ 17,005.61	\$ 1,788.50	\$ 18,794.11	\$ 11,205.89
Contingency/Miscellaneous		\$ 35,000.00	\$ 5,149.01	\$ 921.40	\$ 6,070.41	\$ 28,929.59
<b>Total</b>		<b>\$ 650,000.00</b>	<b>\$ 179,340.71</b>	<b>\$ 61,943.74</b>	<b>\$ 241,284.45</b>	<b>\$ 408,715.55</b>

# 3-Phase Process

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