Frequently Asked Questions

Measure J Feasibility Study

1. **Is the whole desalination plant included in the cost? And how is it reflected in the revenue requirement in the cost-of service analysis?**

   Yes, the entire desalination plant is assumed to be added into the acquisition and repayment. Only $92.75 million was added to the sales price because $39.8 million was assumed paid through a customer surcharge and therefore not in rate base. An additional $180.5 million is in the form of public debt (state revolving funds or other) and deemed to be assumable by the District. Hence, the already existing public debt repayment obligation is added to the new debt for the overall acquisition in the cost-of-service revenue requirement.

2. **Why was only 70% of the Monterey Pipeline included in the base system?**

   The California Public Utilities Commission disallowed 30% of the cost to be recovered until such time as the Monterey Peninsula Water Supply Project is online. The Measure J feasibility analysis assumes the remaining 30% is added to the acquisition cost.

3. **Why was the Income Approach to valuation set at 80% and the Sales Comparison Approach only 20%?**

   This is done at the discretion of Raftelis, the financial consultant. As explained in the report, history shows little correlation between the Cost Approach and sales prices, hence that approach as valued at zero percent (0%). Here, the weighting of the remaining two approaches reflects their professional judgement.

4. **On what basis were the typical monthly bills calculated?**

   The rates are derived from Chapter 10 of the 2019 General Rate Case, Final Application Exhibits A, C-D. Typical bill assumes 37.91 CGL/Mo (hundred gallons per month)

5. **At what price does acquisition become infeasible?**

   This is not a figure that is publicly available. The District will analyze what the system is worth, what a jury may award in fair compensation, severance damages (if any), and also evaluate at what cost the transaction may result in no savings. If the expected price and damages is likely to remain below the “no savings” threshold, it remains feasible.

6. **What is the estimate of severance that would need to be paid?**

   MPWMD may be required to pay severance damages to CAW for acquiring the Monterey Water System. These damages may relate to not taking the satellite water systems owned and operated by CAW within their Monterey District, but outside of MPWMD's jurisdictional boundaries. California Code of Civil Procedures Section 1263.420 states that where the public entity is taking less than an entire piece of property, the possibility of severance damages to the remainder should be considered. These damages may relate to not taking the satellite water systems owned and operated by CAW within their Monterey District, but outside of MPWMD's jurisdictional boundaries. *Our tentative conclusion is that CAW is likely to suffer minimal, if any severance damages and any severance damages it does suffer would not be so significant as to materially affect the conclusions of the District's feasibility analysis.*

7. **What is the cost of a failed attempt at acquisition?**

   It is unknown, but the District is estimating $15 to $20 million in legal and consulting expenses if the eventual jury award results in a total cost that is not feasible and the transaction is cancelled.

8. **If, after taking over the system, it is discovered that maintenance, renewal, and replacement had been deferred is there recourse to adjust the sales price to help recover those additional costs?**

   Unfortunately, there is not. However, during the trial using the techniques of depositions and discovery, actual conditions of the assets will be attempted to be ascertained, potentially reducing the compensation award.

9. **Will the public get to vote on a buyout?**

   It is not required by law.

10. **Won't the loss in property taxes paid by Cal-Am, but not paid under public ownership result in a loss of services?**

    Not significantly. Cal-Am constitutes approximately 0.19% of the overall Countywide assessed valuation. That means approximately $65,000 would no longer go to Peninsula cities and just over $600,000 would no longer go to three school districts and Monterey Peninsula College, combined.

11. **Will the District's unfunded liability for retirement benefits increase under public ownership?**

    Not significantly. Since pension reform in California (PEPRA) new employees do not accrue an unfunded liability at a rapid pace, if at all. The majority of public agencies' unfunded liability is due to existing or legacy employees.

12. **Will funds still be allocated to environmental protection under public ownership?**

    Of course. The environmental programs for fisheries, vegetation, and habitat are primarily District programs in the first place. The District intends to remain an environmental steward.

13. **Would the low-income ratepayer assistance plan be maintained?**

    Under public ownership ratepayers cannot, by law, subsidize other ratepayers. However, the District can use other sources of revenue such as its property taxes to create a low-income assistance program. The District full expects to be able to offer such a program.

14. **Would investment in conservation continue?**

    Of course. The existing conservation programs are primarily District programs in the first place. The District intends to remain an advocate for saving water.