



FINAL MINUTES

Ordinance No. 152 Oversight Panel of the Monterey Peninsula Water Management District *October 10, 2019*

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

Committee members present:

John Bottomley
Paul Bruno (arrived at 10:04)
Jason Campbell
Birt Johnson, Jr.
Karen Paull (arrived at 10:03)
John Tilley
Susan Schiavone

MPWMD Staff members present:

David J. Stoldt, General Manager
Suresh Prasad, Water Demand Manager/CFO
Arlene Tavani, Executive Assistant

District Counsel Present:

David Laredo

Committee members absent:

Bill Bluhm
Patie McCracken

Comments from the Public:

No comments were directed to the committee.

Action Items

1. Consider Adoption of July 11, 2019 and Amended April 1, 2019 Committee Meeting Minutes

Tilley offered a motion that was seconded by Johnson to approve the minutes as presented. The motion was adopted on a vote of 5 – 2 by Tilley, Johnson, Bottomley Campbell and Schiavone. Bruno abstained as he was absent from the April 1, 2019 meeting, and Paull abstained as she was not appointed to the committee until April 15, 2019.

2. Develop List of Topics for Annual Report to the Board of Directors

The committee indicated support for inclusion of the following topics: (a) disagreement on committee regarding use of Water Supply Charge to fund the Measure J effort; (b) continuance/sunset of Water Supply Charge and User Fee; (c) recommendations for payment of Rabobank loan; (d) support for continuance of the Local Water Supply Project Grant program; and (e) interest in discussion on the use of District reserve funds.

Discussion Items

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

Prasad reviewed Exhibit 3-A, Water Supply Charge Receipts and Exhibit 3-B, Water Supply Charge Availability Analysis and responded to questions.

4. Discuss Performance of Reinstated District User Fee, To Date

Prasad reviewed Exhibit 4-A, User Fee Revenue Collections FY 2019-2020 and responded to questions.

5. Discuss Plan to Defeasement Rabobank Loan

Stoldt summarized the issue and noted that the Board of Directors has shown a preference for Option 4, establishment of a sinking fund to accumulate the full pay-off balance beginning FY2020-21. The committee members expressed interest in several alternatives: payoff loan with reserve funds; establishment of a hybrid sinking fund that would allocate a portion to pay down the loan and a portion saved for costs at maturity; Option 6 - pre-payment; refinance the loan at the current rate; pay off with Water Supply Charge; Option 4 – sinking fund defeasance; and if conditions are right refinance the loan and secure with the user fee.

Panel members also made the following observations: (a) concerned that payoff of the low interest loan would not be wise as it could be difficult to borrow money at that low rate in the future; (b) it would be prudent to collect the Water Supply Charge and User fee for a three-year period; (c) pay off the loan with Water Supply Charge receipts so they could not be used for Measure J expenditures; and (d) concern that using Water Supply Charge funds to pay Measure J costs may leave little remaining to pay off the Rabobank loan when it reaches maturity.

Stoldt and Prasad responded to questions and comments from the committee. Reserve funds are needed to pay project costs that will be due in 2021. The Rabobank loan is secured by the Water Supply Charge; however, if the loan were to be refinanced the use of user fees might be considered. The difference between Option 3 and Option 4 is that under Option 4 it would be difficult to allocate those funds to a different purpose if the need arose; however, it may not be feasible to fund either Option. It may be possible to reduce the Water Supply Charge in the future when funding has been completed for projects currently in progress such as the Sleepy Hollow Fish Rearing Facility, Pure Water Monterey, and Pure Water Monterey Expansion.

The committee also expressed concern about the adequacy of the District's pension reserve. Prasad explained that the District is in compliance with the requirements of GASB68 as outlined in the most recent audit. Annually, \$100,000 is placed in each of the OPEB and pension fund reserves. Because the District has less than 100 employees, it is part of a pool that determines the agency's liability as a whole. It does not assess the liability of each staff member. Each year the District budgets for its annual contribution to PERS.

6. Preliminary Discussion on Sunset of Water Supply Charge

Stoldt summarized the issue in a presentation that is on file at the District office and can be viewed on the agency website. He stated that in the future, the Water Supply Charge or User Fee could be reduced or a decision could be made to stop collection for a period of time. The District would not deauthorize either funding mechanism. Stoldt reported that if the District moved forward on the buyout of California American Water, it would need to show the court all revenue sources. However, neither the Water Supply Charge or User Fee would be sufficient to cover the annual debt for the buyout. Stoldt also explained that should the Measure J effort fail in the courts, all legal and other accumulated costs would be paid by the District's residents.

Other Items

4. Water Supply Project Update

In response to a question from the committee, Stoldt briefly discussed the future operation and maintenance cost of the Aquifer Storage and Recovery project.

Adjourn: The meeting was adjourned at 11:55 pm.

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