

This meeting has been noticed according to the Brown Act rules. This agenda was posted on Friday, January 17, 2020.



Ordinance No. 152

Oversight Panel

Members:

Bill Bluhm

John Bottomley

Paul Bruno

Jason Campbell

Birt Johnson, Jr.

Patie McCracken

Karen Paull

Susan Schiavone

John Tilley

MPWMD Contacts:

General Manager,

David J. Stoldt

Administrative Services

Manager, Suresh Prasad

Executive Assistant,

Arlene Tavani

AGENDA

**Ordinance No. 152 Oversight Panel
Of the Monterey Peninsula Water Management District**

Tuesday, January 21, 2020, 1:30 PM

District Conference Room, 5 Harris Court, Building G, Monterey, CA

Call to Order

Comments from Public -- *The public may comment on any item within the District's jurisdiction. Please limit your comments to three minutes in length.*

Action Items -- *Public comment will be received on Action Items. Please limit your comments to three minutes in length.*

1. Consider Adoption of October 10, 2019 Committee Meeting Minutes
2. Review Draft 2019 Annual Report and Authorize Release to the Board of Directors

Discussion Items -- *Public comment will be received on Discussion Items. Please limit your comments to three minutes in length.*

3. Review of Revenue and Expenditures of Water Supply Charge Related to Water Supply Activities
4. Discuss Performance of District User Fee, To Date

Other Items -- *Public comment will be received on Other Items. Please limit your comments to three minutes in length.*

5. Water Supply Project Update

Adjourn

Staff reports regarding these agenda items will be available for public review on Friday, January 17, 2020 at the District office and website at www.mpwmd.net. After staff reports have been distributed, if additional documents are produced by the District and provided to the Committee regarding any item on the agenda, they will be made available at the District office during normal business hours and posted on the District website at. Documents distributed at the meeting will be made available in the same manner. Upon request, MPWMD will make a reasonable effort to provide written agenda materials in appropriate alternative formats, or disability-related modification or accommodation, including auxiliary aids or services, to enable individuals with disabilities to participate in public meetings. Please send a description by 5 PM on

Monday, January 20, 2020. Requests should be sent to the Board Secretary, MPWMD, P.O. Box 85, Monterey, CA, 93942. You may also fax your request to the Administrative Services Division at 831-644-9560, or call 831-658-5600.

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ORDINANCE NO. 152 OVERSIGHT PANEL

ACTION ITEM

1. CONSIDER ADOPTION OF OCTOBER 10, 2019 COMMITTEE MEETING MINUTES

Meeting Date: January 21, 2020

From: David J. Stoldt
General Manager

Prepared By: Arlene Tavani

CEQA Compliance: This action does not constitute a project as defined by the California Environmental Quality Act Guidelines section 15378

SUMMARY: Draft minutes of the October 10, 2019 committee meeting (**Exhibit 1-A**) are attached.

RECOMMENDATION: Review the minutes and adopt them by motion.

EXHIBIT

1-A Draft Minutes of October 10, 2019 Committee Meeting



EXHIBIT 1-A

DRAFT 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 Defease 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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ITEM: ACTION ITEM

2. REVIEW DRAFT 2019 ANNUAL REPORT AND AUTHORIZE RELEASE TO THE MPWMD BOARD OF DIRECTORS

Meeting Date: January 21, 2020 **Budgeted:** N/A

From: David J. Stoldt **Program/**
General Manager **Line Item No.:** N/A

Prepared By: David J. Stoldt **Cost Estimate:**

General Counsel Approval: N/A

Committee Recommendation: N/A

CEQA Compliance: This action does not constitute a project as defined by the California Environmental Quality Act Guidelines section 15378.

SUMMARY: The Panel has the opportunity to make recommendations or provide guidance to the District Board. **Exhibit 2-A** attached is a draft 2019 Annual Report on which the committee is requested to provide suggested edits or changes at its January 21 meeting. Recommendations provided in the Annual Report are non-binding on the Board.

RECOMMENDATION: The Panel should attempt to reach consensus on a final set of recommendations that reflect the majority of committee members, and forward a finalized report to the Board.

EXHIBIT

2-A Draft 2019 Annual Report

EXHIBIT 2-A

Ordinance 152 Citizens Oversight Panel

2019 Annual Report

2019 Recommendations

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

1. **Measure J Costs:** A majority of the panel believes that the Water Supply Charge was intended for projects to solve the region's longstanding water supply problem and should not be used to fund any of the costs related to Measure J. That includes the cost of the feasibility study, costs related to a "right to take" bench trial, the costs related to a subsequent jury trial to establish fair compensation, and/or the costs of acquisition. The Panel voted 4-1 to endorse this position. The Panel has been made aware that the District has received an outside legal opinion the Water Supply Charge may be used for such Measure J costs.
2. **Mechanics Bank Loan and Other District Obligations:** The Panel urges the District to develop a plan to retire the Mechanics Bank (formerly Rabobank) loan that was initiated to pay for the Aquifer Storage and Recovery water supply project in a timely fashion after the District's User Fee was suspended by the CPUC.
3. **Dual Collection of the Water Supply Charge and District User Fee:** The User Fee began collection in July 2017. The Panel recognizes the plan adopted by the District Board in April 2016 to collect both fees for a 3-year period because: (i) the User Fee would primarily fund programs already in Cal-Am surcharges (District conservation and river mitigation), so there was little "new" revenue; (ii) there were still large near-term expenditures required on water supply projects; and (iii) Cal-Am had a recent history of significant revenue undercollection, so it made sense to have a period of collection until the predictability of the User Fee revenue was better known. However, the Panel reminds the Board that June of 2020 will be the end of the third year of dual collection, therefore it is time to begin a plan for their use, including reductions or possible sunsets of either or both.
4. **Reserve Policies:** The Panel believes that the District should focus on its reserve policies and set criteria and determine funding sources for each, and then determine the potential for sunset of the Water Supply Charge. Such reserves should include capital renewal and replacement, capital equipment, flood/drought reserve, PERS and OPEB liabilities, Pure Water Monterey operating and drought reserves, litigation/insurance, and general fund reserves.

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 from future budgets to the extent projects can be identified.

Respectfully submitted by the Ordinance 152 Citizens Oversight Panel, January 21, 2020.

ORDINANCE NO. 152 OVERSIGHT PANEL

DISCUSSION ITEM

3. REVIEW OF REVENUE AND EXPENDITURES OF WATER SUPPLY CHARGE RELATED TO WATER SUPPLY ACTIVITIES

Meeting Date: January 21, 2020

From: Suresh Prasad
Administrative Services
Manager/Chief Financial
Officer

Prepared By: Arlene Tavani

CEQA Compliance: This action does not constitute a project as defined by the California Environmental Quality Act Guidelines section 15378

SUMMARY: Please review **Exhibits 3-A and 3-B** submitted for discussion at the January 21, 2020, committee meeting.

EXHIBITS

- 3-A** Water Supply Charge Receipts
- 3-B** Water Supply Charge Availability Analysis

EXHIBIT 3-A

Monterey Peninsula Water Management District

Water Supply Charge Receipts

	FY 2016-2017 Adopted Budget	FY 2016-2017 Audited Actuals	FY 2017-2018 Adopted Budget	FY 2017-2018 Audited Actuals	FY 2018-2019 Adopted Budget	FY 2018-2019 Audited Actuals	FY 2019-2020 Adopted Budget	FY 2019-2020 Un-audited Actuals
Water Supply Charge	\$3,400,000	\$3,401,626	\$3,400,000	\$3,405,008	\$3,400,000	\$3,410,398	\$3,400,000	\$0
Percentage collected over budget		100.0%		100.1%		100.3%		0.0%

EXHIBIT 3-B

Monterey Peninsula Water Management District

Water Supply Charge Availability Analysis

	FY 2017-2018 Revised Budget	FY 2017-2018 Audited Actuals	FY 2018-2019 Revised Budget	FY 2018-2019 Audited Actuals	FY 2019-2020 Adopted Budget	FY 2019-2020 thru 09/30/2019
Beginning Fund Balance		\$912,447		\$7,333,575		\$8,584,956
Water Supply Charge	\$3,400,000	\$3,405,008	\$3,400,000	\$3,410,398	\$3,400,000	(\$2,376)
Carry-Forward Prior Year/Fund Balance	749,000	0	1,562,800	0	1,397,500	0
Capacity Fee	300,000	522,167	450,000	591,240	400,000	82,990
Project Reimbursement	5,576,400	5,583,786	619,200	526,867	575,700	0
Property Taxes	-	-	150,000	158,396	1,800,000	0
User Fees	577,000	808,039	640,000	792,917	720,000	71,278
Grants	80,000	-	95,000	200,000	-	0
Interest	20,000	31,347	90,000	145,850	90,000	2,272
Other	10,000	2,258	5,000	545	5,000	1,901
Capital Equipment Reserve Fund	-	-	-	-	9,100	0
Total Revenues	\$10,712,400	\$10,352,605	\$7,012,000	\$5,826,213	\$8,397,300	\$156,065
Direct Personnel	1,047,805	1,104,912	1,160,205	1,258,088	1,271,204	425,279
Direct Supplies & Services*	96,525	83,948	98,934	89,505	106,359	26,202
Legal	200,000	255,146	200,000	213,023	220,000	22,309
Project Expenditures [see below]	2,149,900	898,699	2,588,500	1,681,564	8,001,650	110,847
Project Expenditures-Reimbursements [see below]	1,445,700	951,601	731,600	603,211	520,700	110,421
Fixed Asset Purchases	177,900	64,404	110,100	76,477	61,600	0
Contingencies	24,000	-	24,000	-	23,100	0
Debt Service	230,000	219,136	230,000	219,136	230,000	0
Election Expense	2,200	2,196	51,200	70,721	-	0
Indirect Labor*	180,995	180,995	180,995	180,995	189,196	45,249
Indirect Supplies & Services*	195,975	170,440	200,866	182,112	215,941	53,198
Reserve	22,300	-	-	-	77,100	0
Total Expenditures	\$5,773,300	\$3,931,477	\$5,576,400	\$4,574,832	\$10,916,850	\$793,505
Net Revenue Over Expenses**	\$4,939,100	\$6,421,128	\$1,435,600	\$1,251,381	(\$2,519,550)	(\$637,440)
Ending Fund Balance		\$7,333,575		\$8,584,956		\$7,947,516
Project Expenditures	FY 2017-2018 Revised Budget	FY 2017-2018 Audited Actuals	FY 2018-2019 Revised Budget	FY 2018-2019 Audited Actuals	FY 2019-2020 Adopted Budget	FY 2019-2020 thru 09/30/2019
Groundwater Replenishment Project	\$200,000	\$140,561	\$425,000	\$350,686	\$2,910,000	\$22,964
ASR Phase I	\$1,045,400	\$237,891	\$1,144,000	\$984,804	\$2,958,000	\$15,738
Reimbursement Projects	\$1,445,700	\$951,601	\$731,600	\$603,211	\$520,700	\$110,421
Cal-Am Desalination Project	\$175,000	\$65,080	\$150,000	\$2,336	\$250,000	\$0
ASR Expansion	\$0	\$0	\$0	\$0	\$0	\$0
Other Water Supply Projects - IFIM/GSFlow	\$121,700	\$56,606	\$20,000	\$23,578	\$32,300	\$9,948
Local Water Projects	\$391,900	\$144,744	\$292,000	\$0	\$200,000	\$0
Measure J/Feasibility Study	\$0	\$0	\$144,000	\$89,297	\$128,000	\$32,453
Drought Contingency Plan	\$110,000	\$156,951	\$235,000	\$181,072	\$0	\$0
Los Padres Long Term Plan	\$0	\$0	\$0	\$0	\$328,000	\$15,590
PB Reclamation Project	\$0	\$0	\$0	\$0	\$1,000,000	\$0
Other Project Expenditures	\$105,900	\$96,866	\$178,500	\$49,791	\$195,350	\$14,154
Total Commitments	\$3,595,600	\$1,850,300	\$3,320,100	\$2,284,775	\$8,522,350	\$221,268

*: Indirect costs as percent of Water Supply Charge 11.1% 10.3% 11.2% 10.6% 11.9% 0.0%

Recent Activities:

ASR Chemical Building
Measure J/Feasibility Study
PB Reclamation Project Financing
PWW Reserve Water Purchase

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

ORDINANCE NO. 152 OVERSIGHT PANEL

DISCUSSION ITEM

4. DISCUSS PERFORMANCE OF DISTRICT USER FEE, TO DATE

Meeting Date: January 21, 2020

From: Suresh Prasad
Administrative Services
Manager/Chief Financial
Officer

Prepared By: Arlene Tavani

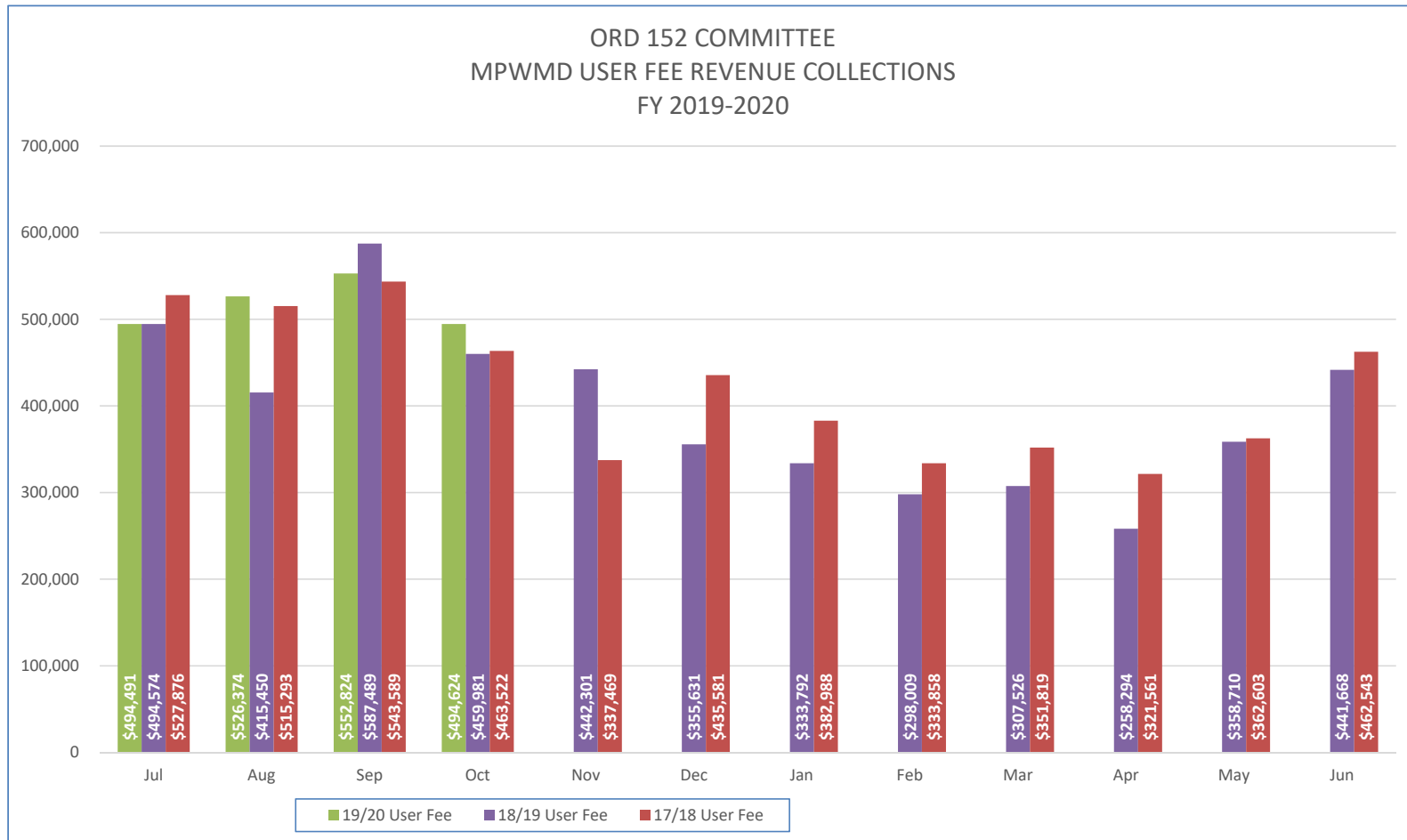
CEQA Compliance: This action does not constitute a project as defined by the California Environmental Quality Act Guidelines section 15378

SUMMARY: Attached for your review in advance of the January 21, 2020 committee meeting is **Exhibit 4-A**.

EXHIBIT

4-A MPWMD User Fee Revenue Collections FY 2019-2020

EXHIBIT 4-A

[illegible]