

This meeting has been noticed according to the Brown Act rules. This agenda was posted on Friday, October 4, 2019.



**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**

\*\*\*\*\*

Thursday, October 10, 2019, 10 AM  
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 July 11, 2019 and Amended April 1, 2019 Committee Meeting Minutes
2. Develop List of Topics for Annual Report 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
5. Discuss Plan to Defeas Rabobank Loan
6. Preliminary Discussion on Sunset of Water Supply Charge

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

7. Water Supply Project Update

**Adjourn**

Staff reports regarding these agenda items will be available for public review on Tuesday, October 8, 2019 at the District office and website at [www.mpwmd.net](http://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, October 7, 2019. 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.

U:\staff\Board\_Committees\Ord152\2019\20191010\Ord-152-Oversight-Panel-Oct-10-2019.docx

## ORDINANCE NO. 152 OVERSIGHT PANEL

### DISCUSSION ITEM

#### 5. DISCUSS PLAN TO DEFEASE RABOBANK BANK LOAN (NOW MECHANICS BANK)

<b>Meeting Date:</b>	<b>October 10, 2019</b>	<b>Budgeted:</b>	<b>Yes</b>
<b>From:</b>	<b>David J. Stoldt, General Manager</b>	<b>Program/ Line Item No.:</b>	<b>N/A</b>
<b>Prepared By:</b>	<b>Dave Stoldt</b>	<b>Cost Estimate:</b>	<b>N/A</b>

**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:** On April 1, 2013 the District entered into a \$4,000,000 installment purchase agreement (borrowing) on the Aquifer Storage and Recovery (ASR) Project Santa Margarita facilities. The proceeds were utilized to fund ASR completion and expansion, to replenish District reserves that had been expended for ASR, and to establish a debt service reserve fund of \$219,136. Interest on the borrowing was established at 3.6%.

The current balance of the principal due is \$3,466,312.30

Although the term was nominally established through December 31, 2042 there is a balloon payment due at the “Maturity Date” of June 30, 2023. At the Maturity Date the District must pay all outstanding Installment Payments or refinance the borrowing.

The borrowing is secured by the District’s pledge of “Revenues”, defined as “the water supply charge levied pursuant to Ordinance 152.” The Ordinance 152 Citizens Panel has advised the Board to develop a plan for payment of the loan, emphasizing a desire to pay the loan off at its 2023 maturity or sooner in order to unencumber the Water Supply Charge. District Ordinance No. 152 which established the Water Supply Charge states in its Section 10.C(b) that the District shall not collect a Water Supply Charge “to the extent alternative funds are available via a charge collected on the California American Water Company bill.” Therefore, in April 2016, the Board adopted a plan examining reductions or possible sunsets of either or both.

The plan adopted was to collect both charges for at least 3 years. This was done for 4 key reasons: (i) the User Fee would primarily fund programs already in Cal-Am surcharges that would be removed (District conservation and river mitigation), so there was potentially little “new” revenue; (ii) the Monterey Peninsula Taxpayers Association lawsuit over the Water Supply Charge remained unresolved at the time, hence that revenue remained at risk; (iii) there were still large near-term expenditures required on water supply projects; and (iv) Cal-Am had a recent history of

significant revenue undercollection, so the viability of the User Fee was at risk until the CPUC ruled on a more stable rate design, and the predictability of the User Fee revenue was better known. After that time, begin to sunset or reduce collections of either or both, if possible. We are now in the third year of collections of both fees, therefore this item was brought to the board for discussion September 16, 2019, with direction and action anticipated during budget discussion in the spring.

The remaining amortization through the Maturity date is shown below:

		RaboBank Borrowing			
		Amount Due through Maturity Date			
		Principal	Principal	Interest	Total
		<u>Outstanding</u>	<u>Due</u>	<u>Due</u>	<u>Payment</u>
2019	Jun 30	3,512,848.30	46,536.00	63,032.00	109,568.00
	Dec 31	3,466,312.30	47,374.00	62,194.00	109,568.00
2020	Jun 30	3,418,938.30	48,226.00	61,342.00	109,568.00
	Dec 31	3,370,712.30	49,095.00	60,473.00	109,568.00
2021	Jun 30	3,321,617.30	49,978.00	59,590.00	109,568.00
	Dec 31	3,271,639.30	50,878.00	58,690.00	109,568.00
2022	Jun 30	3,220,761.30	51,794.00	57,774.00	109,568.00
	Dec 31	3,168,967.30	52,726.00	56,842.00	109,568.00
2023	Jun 30	3,116,241.30	3,116,241.30	55,893.00	<u>3,172,134.30</u>
Debt Service Reserve Fund Available:					<u>219,136.00</u>
Net Amount Due June 30, 2023:					2,952,998.30

Hence, \$2,952,998.30 will need to be paid or refinanced on June 30, 2023.

At its September 16<sup>th</sup> meeting, the Board discussed several options:

- 1) Status Quo 1: Make semiannual payments (shown above) and refinance in 2023.
- 2) Status Quo 2: Make semiannual payments and budget the pay-off from reserves in the FY2022-23 budget.
- 3) Discretionary Set-Asides: Board budgets additional amounts each year beginning FY2020-21 to accumulate a portion of the pay-off balance.
- 4) Sinking Fund Defeasance: Board establishes a sinking fund beginning FY2020-21 to accumulate the full pay-off balance. Assuming a 1-year LAIF investment rate of 2.3%, the Board would need to set aside \$962,202 each July 1<sup>st</sup> in the next three budgets, in addition to the regular annual principal and interest (\$219,136).
- 5) Full Defeasance: Board budgets to purchase a 3-year negotiable CD from reserves in the FY2020-21 budget to pay the full pay-off balance. At today's 3-year interest rate (2.65%),

this would require a set-aside in next year's budget of \$2,730,149 in addition to the annual principal and interest amount.

- 6) Prepayment: Board budgets to prepay on December 31, 2020. This would require a budgeted amount for FY 2020-21 of \$3,431,185.30
- 7) Refinance: At any time before the Maturity Date, if there are favorable market conditions, the District could choose to refinance. However, that would leave the Water Supply Charge encumbered. There would also be financing costs, which in 2013 were \$40,000.