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EXHIBIT 17-M

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June 10, 2004

TO: Fran Farina, General Manager
FROM: David C. Laredo
RE: MPWMD Budget Process

The discussion before the Board of Directors at the meeting of May 27, 2004 addressed, in part, the processes that might apply in the event the District did not adopt a budget before the beginning of fiscal year 2004/2005. Questions were posed relating to requirements of the Water Management District enabling statute, general law, and practices of other public agencies.

A careful review of the Monterey Peninsula Water Management District Law, Statutes of 1977, chapter 527, as amended (found at West's Water Code Appendix, section 118-1, et seq.) confirms that the District is not required to follow a unique set of budget requirements, and instead is authorized to comply with the law that generally applies to public entities.

The applicable provision of law Government Code that applies to the Water Management District is set forth in section 53901. This section provides, in its entirety,

Unless exempted by the county auditor 60 days after the beginning of its fiscal year, every local agency, including every special purpose assessing or taxing district with the county shall file with the county auditor of the county in which it conducts its principal operations, a copy of its annual budget. The county auditor shall hold on file the annual budget of such special purpose assessing or taxing district or local agency for public inspection at all reasonable hours. If a local agency or special purpose assessing or taxing district does not have a formal budget, it shall file a listing of its anticipated revenues, together with its expenditures and expenses for the fiscal year in progress. The county auditor shall hold on file such statement for public inspection at all reasonable hours.

Accordingly, the Water Management District must either (a) file a copy of its annual budget with the Monterey County Auditor on or before August 30, or (b) if a copy of a formal budget is not available, file a list of anticipated revenues, expenditures and expenses for the fiscal year, or (c) seek an exemption from the County Auditor.

It is to be recalled that an annual budget also embodies a spending plan. Approval of the budget ordinarily includes authorization to collect revenues and make expenditures provided within that plan. If a budget is not enacted before commencement of the fiscal year, alternate authorization will be needed to collect revenues and make expenditures. One source of alternate authorization could be through a "Continuing Resolution" that could, among other things, describe the scope

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and extent of fiscal authority to be exercised in the absence of an annual budget. This resolution could also provide the list of anticipated revenues, expenditures and expenses for a specified term.

Should you have any question, please do not hesitate to call.

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