

# Monterey Peninsula Water Management District

## 2012 Annual Report

### Accomplishments

- Funding for Water Supply Projects** – Secured a stable funding stream for development of water supply projects. Entered into a Memorandum of Understanding for advancement of the Groundwater Replenishment project (GWR), continued expansion and construction of Aquifer Storage and Recovery (ASR), and funding in support of a desalination alternative.
- Governance & Funding for Desal** – Working jointly with the Monterey Peninsula Regional Water Authority, developed a framework for greater local participation and transparency in decision-making for the proposed desalination facility, as well as developed a path for financing the project in a manner to reduce impacts on ratepayers.
- ASR** – Working in cooperation with California American Water, MPWMD diverted 131 acre-feet of Carmel River Basin water during the 2011-12 winter season, stored this water in the Seaside Groundwater Basin at the Water Project 1 and 2 sites and extracted this water for community water supply use in the water year beginning on October 1, 2013.
- Water Rights** – Commented on water rights permits issued by the State Water Resources Control Board for Carmel River diversions.
- Well Permitting** – After rigorous reviews for potential impacts to other water users, MPWMD issued six water distribution system permits for private properties with rights to percolating groundwater.
- State-Mandated Water Management Plans** – Entered into Consultant and Subgrantee agreements to complete an update of the Integrated Regional Water Management Plan for the Carmel Bay, Monterey Peninsula and Southern Monterey Bay. MPWMD solicited input from stakeholders on regional goals and objectives, began work on an interactive web site, conducted fish passage assessments in the Carmel Valley, and began work on an integrated surface water-groundwater model of the Carmel River Basin. Work is expected to be completed in 2013 and is partially funded with \$1 million from a Proposition 84 planning grant from the California Department of Water Resources.
- State-Mandated Carmel River Mitigation and Stewardship** – Completed a draft design for removal of the Sleepy Hollow Ford and replacement of the ford with a clear-span bridge across the Carmel River. A permanent bridge will be constructed after the removal of San Clemente Dam and reroute of the Carmel River. Removal of the ford will improve fish passage and increase spawning habitat near the ford and the bridge will provide year-round access to the Sleepy Hollow Steelhead Fish Rearing Facility.



Successfully rescued 8,156 wild steelhead from the drying reaches of the Carmel River. Most of the fish were placed into the Sleepy Hollow Steelhead Rearing Facility, where a survival rate of 72% was achieved this past year. In December 2012, staff released 5,341 fish from the rearing facility into the lower river.

Obtained a grant from the California Department of Fish and Game to stockpile and place up to 1,500 tons of spawning gravel into the river near Los Padres Dam. The total cost of the project is estimated at \$225,000 and is tentatively planned to start in the fall of 2013.

Planted native trees on the banks of the Carmel River to improve habitat value and reduce bank erosion.

Obtained a 10-year Regional General Permit from the Army Corps of Engineers for restoration and erosion prevention projects along the Carmel River.

Completed vegetation management activities in the active channel of the Carmel River to reduce the risk of streambank erosion along riverfront properties where vegetation encroachment could potentially divert river flows into streambanks during high flow periods.

Removed trash and plastic below major bridges along the Carmel River before winter rains and high flows washed the debris onto the riverbanks or into the ocean.

Worked with the County of Monterey Public Works Department on restoration of streambank areas disturbed during the first phase of the Schulte Road Bridge Replacement Project in the Carmel River.

Participated in a workshop and follow-up Carmel River field inspection with local, State, and Federal scientists interested in setting up a plan for long-term monitoring of the effects to the Carmel River from removal of the San Clemente Dam.

- **Los Padres Dam Improvements** – Provided technical background on the history of sedimentation at Los Padres Reservoir in association with Cal-Am’s feasibility study for recovering storage capacity of the reservoir.
- **Conservation** – Revised conservation/water efficiency requirements, including non-residential retrofit requirements.

Restarted the rebate program in November 2012, offering generous rebates for residential and commercial high efficiency appliances. During the first two months, over \$27,000 was rebated for annual savings of 2.6 acre-feet.

MPWMD received a clean financial audit report with no material weakness or deficiencies. The audit for fiscal year 2011-2012 was conducted by an independent auditing firm.

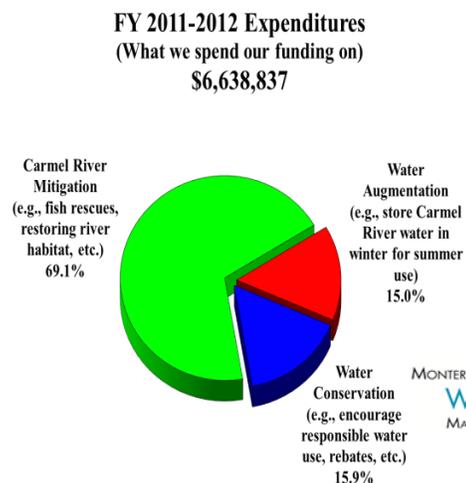
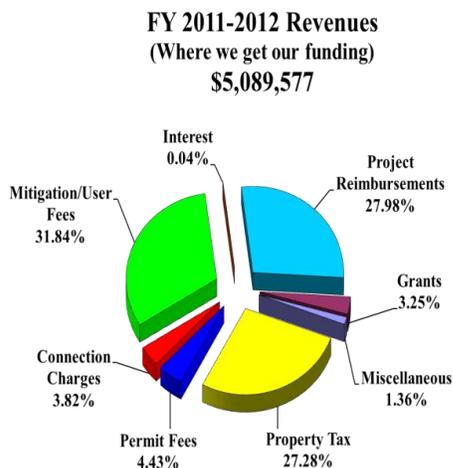
- **Community Outreach** – Continued outreach with presentations to classes from Carmel High School, Robert Louis Stevenson School, and to the American Society of Civil Engineers. Topics included information on the Monterey Peninsula Water Resource System, MPWMD’s Environmental Protection Program, Carmel River steelhead life cycle, specific issues related to the Carmel River watershed, and proposed desalination facilities around Monterey Bay.

Executed four quarterly newsletters on District activities, over 30 presentations to community groups and City Councils, several guest opinions in local media, and developed a presence on Facebook.

## Financial Analysis

Total revenues received in Fiscal Year 2011-2012 were \$5,089,577 while expenditures totaled \$6,638,837. The difference of \$1,549,260 came from various reserve funds that were accumulated from previous years. As of June 30, 2012, the District’s reserve fund balance was (\$30,769).

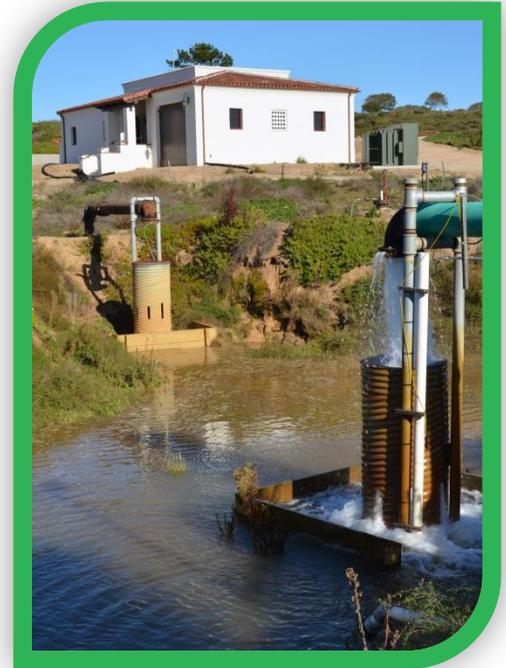
The budget for Fiscal Year 2012-2013 anticipates revenues of \$14,162,200 and expenditures of \$14,162,200, which is a balanced budget. Completion of Water Project 1 is budgeted at \$1,071,800, Water Project 2 work is budgeted at \$3,548,200, and Ground Water Replenishment work is budgeted at \$1,036,600. The budget also includes \$550,000 in funding for preliminary work on various other water projects. Sources and uses of District funding appears below:



## Future Financing Methods

The District has historically paid for costs associated with water supply projects on a pay-as you go basis with the majority of the funding coming from user fees, which was the District's largest and most fluid revenue source. The User Fee revenue from Cal-Am customers is no longer available to the District. With the establishment of the Water Supply Charge, the District plans to fund water supply projects from this new funding source.

The District also has a \$2.5 million line of credit to provide additional funding for preliminary costs of current and future potential water supply projects. Possible sources of funds to pay for actual construction of future water supply projects include ongoing revenue increases, water supply charge, new revenue categories, grants, and bond financing. Actual funding sources will be dependent on the type of project, the amount of funding needed and other variables.

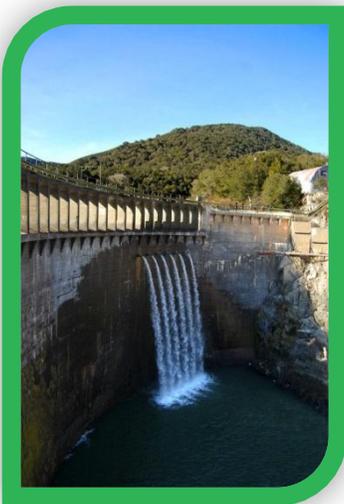


## Present & Future Water Requirements

**Present Water Requirements:** In Water Year 2012, California American Water (Cal-Am) produced 12,052 acre-feet (AF) of water to satisfy water demand, comprised of 8,632 AF from the Carmel River (includes 1,117 AF diverted for injection into and recovery from the Seaside Basin), 3,178 AF from the Seaside Basin and 242 AF from the Sand City desal plant.

**Future Water Requirements:** In 2006, District staff estimated that approximately 4,500 acre-feet per year (AFY) of new water supplies would be needed to meet future Cal-Am water requirements within the District. This estimate was based on legal lots of record and general plan build-out conditions provided by each of the jurisdictions within the District and included a 20 percent contingency factor. This estimate is likely to change when updated.

**Available Water Supplies:** Presently, in Water Year 2013 13,003 AFY of water are legally available in the Carmel River and Seaside Groundwater Basins to serve Cal-Am customers within the District. Similarly, approximately 4,710 AFY of water are assumed to be available to serve non-Cal-Am users extracting water from the Carmel Valley Aquifer and the Seaside Basin. However, because of legal and regulatory constraints, MPWMD estimates that the long-term water supplies available to Cal-Am's customers in the future will be reduced to approximately 6,750 AFY and the amount of water available from the Seaside Basin to non-Cal-Am users will be reduced by approximately 122 AFY. This assumes that Cal-Am will retain rights to produce 774 AFY from Seaside Groundwater sources, 94 AFY from the Sand City Desalination Facility, 2,000 AFY from Aquifer Storage and Recovery, and 3,876 AFY from Carmel River sources (in late in 2012, the State circulated a Draft Permit to Cal-Am for up to an additional 1,488 AFY of Carmel River diversions, subject to meeting instream flow requirements. MPWMD estimates a long term yield of about 500 AFY from this diversion right.)



In its revised application to the California Public Utilities Commission for the Monterey Peninsula Water Supply Project, CAW has sought to incorporate replenishment of the Seaside Basin, as well as potential demand they had previously not included in the project sizing.

These include build-out of the Pebble Beach project the EIR for which was certified by the County last summer, the potential "bounce back" in tourism resulting from economic recovery and utilizing existing visitor-serving capacity, and legal lots of record. These additions represent an increase in required supplies of 46 acre-feet per year ("AFY") are shown in the table below:

## EXHIBIT 13-A

<b>Estimated Demand –Mid Range (AFY)</b>	<b>15,296</b>
5yr Average (AFY)	13,290
Pebble Beach (AFY)	325
Tourism Bounce Back (AFY)	500
Lots of Record (AFY)	1,181

The District has examined the three component additions to the 5-year average and has determined each to be reasonable.

The District's 1990 Water Allocation Program was subject to an Environmental Impact Report as required by the California Environmental Quality Act. Through the Program, water available for use by parcels was allocated to each jurisdiction. To allocate any new water for use on legal lots of record, certain findings and supplemental filing related to that EIR will be required from the District. The District will also have the lead role in the allocation to the jurisdictions of new water for legal lots of record.

**Requirements for Future Capital Improvements:** Based on the stated future demands discussed above, the resulting revised desalination facility size is 6,252 AF with Groundwater Replenishment (GWR), or 9,752 without GWR. The increase in size as compared to the April 23, 2012 estimate is attributable the 46 AFY increase in demand plus the 700 AFY reduction in available legal supply due to Seaside Basin recharge Cal-Am has agreed to provide to the Watermaster in the form of in-lieu recharge for the next 25 years.

The groundwater replenishment project expected to create 3,500 AFY of new supply is being sponsored by the Monterey Regional Water Pollution Control Agency which has developed an implementation plan for completion by 2017. The MPWMD Board of Directors unanimously approved developing an agreement between the District, MRWPCA, and CAW whereby the District would fund 50% of that project, purchase product water to store in the ground, and sell recovered water to CAW.

Aquifer Storage and Recovery is expected to be doubled in capacity by 2016, to almost 3,000 AFY and is being developed jointly by the District and CAW. However, until permit conditions are modified subsequent to the future lifting of the CDO, not all ASR capacity is reliably available in dry years, hence cannot all be counted upon to offset unlawful diversions. The District continues to develop plans for additional ASR opportunities for future water supply.

## Groundwater Charge

In June 1980, the District Board approved formation of a groundwater charge zone including all District territory, except portions of the District lying within the City of Sand City. The District-wide groundwater zone was formed to provide the legal basis for a comprehensive well-monitoring program consisting of well registration, well metering, and water production reporting. Formation of the groundwater charge zone was not intended to generate revenues and it was acknowledged that no groundwater charge would be levied for the production of any naturally occurring groundwater. Accordingly, it is recommended that no groundwater charge be levied in any zone of the District during Water Year 2013.



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