



EXHIBIT 1-B

DRAFT MINUTES Special Meeting/Board Strategic Planning Workshop April 1, 2013

CALL TO ORDER/ROLL CALL

The meeting was called to order at 5:40 pm in the MPWMD conference room.

Directors Present: Brower, Byrne, Lehman, Lewis, Pendergrass and Potter

Directors Absent: Director Markey

Staff Present: David J. Stoldt, General Manager

District Counsel Present: David C. Laredo

PLEDGE OF ALLEGIANCE

ORAL COMMUNICATIONS: No comments from the public.

PLEDGE OF ALLEGIANCE: The assembly recited the Pledge of Allegiance.

ORAL COMMUNICATIONS: No comments directed to the Board.

CONSENT CALENDAR

1. Consider Expenditure of Budgeted Funds to Contract for Public Outreach Services
On a motion by Director Potter and second of Director Byrne, a contract with Thomas Brand Consulting, LLC was approved for a not-to-exceed amount of \$36,000. The motion was approved on a vote of 5 – 1. Directors Brower, Byrne, Lewis, Pendergrass and Potter voted in favor of the motion. Director Lehman was opposed. Director Markey was absent. No public comment was directed to the Board on this item.
2. Authorize Expenditure of Budgeted Funds for Financial Services Consulting in Support of District's Testimony in CPUC Application No. 12-04-019
On a motion by Director Lehman and second of Director Byrne, the Board approved a contract with Sidley Austin for bond counsel services in the amount of \$25,000. The motion was approved unanimously on a vote of 6 – 0. Directors Brower, Byrne, Lehman, Lewis, Pendergrass and Potter voted in favor of the motion. Director Markey was absent. No public comment was directed to the Board on this item.
- 2X. Consider Adoption of Resolution No. 2013-04 Authorizing the Execution and Delivery by the District of an Installment Purchase Agreement, a Sale and Transfer Agreement, and an Assignment Agreement, and Authorizing the Execution of other Necessary Documents and Approving Related Actions.
Director Brower offered a motion to adopt Resolution No. 2013-04 to execute a loan with Rabobank, N.A. in an amount not-to-exceed \$4 million. The motion was seconded by Director Potter and adopted on a unanimous vote of 6 – 0. Directors Brower, Byrne, Lehman, Lewis, Pendergrass and Potter voted in favor of the motion. Director Markey was absent. No public comment was directed to the Board on this item.

PURPOSE OF STRATEGIC PLANNING WORKSHOP

General Manager Stoldt summarized the history of strategic planning efforts at the District, and recommended that the Board provide guidance on development of one-year and three-year goals.

DISCUSSION ITEMS

3. Review of Past Strategic Planning Sessions

4. Mission Statement – Review

There was consensus among the Directors that the Mission Statement should be modified as follows: The mission of the Monterey Peninsula Water Management District is to manage, ~~augment~~, and protect water resources for the benefit of the community and the environment. There was consensus that the statement should be strengthened. Staff was asked to revise the statement to say that the District's focus is on development of a long-term, sustainable water supply.

5. Vision Statement – Review

Staff was asked to bring back to the Board a revised Vision Statement that includes the following language. Replace the word “reliable” with “sustainable.” Describe the District as a water supplier. Include the concept of the District as “fiscally responsible with oversight and management” of a water project. The concept of water for growth could be described as “future needs consistent with adopted general plans.” Development of a water source that is “affordable and sustainable” should be mentioned.

6. Core Values

There was consensus among the Directors that the Core Values section could be deleted, as Fair Political Practices Commission ethics regulations are in effect.

7. Synopsis of Past Goals/Initiatives

Stoldt reviewed previous goals and initiatives with the Board.

8. Consideration of 2013-14 One-Year and Three-Goals for District

The Directors agreed that specific initiatives could be consolidated. Staff was asked to revise the list of potential initiatives (attached as Exhibit A) and bring them back for review and approval by the Board. Comments on the initiatives are listed below.

- Consolidate Issues 1, 2, 3, 4, 5 and 7. Specify all as one-year goals except for Issues 5 and 7 that should be specified as three-year goals. Regarding Issue 5, the allocation plan must be developed before a desalination project is on-line. The term “best and most beneficial use” could be added in this section, and may be an appropriate addition to the Mission or Vision statements.
- Issue 6: New Modeling Tools should not be a separate goal, as it can be incorporated into the budget process as an improvement to daily operations at the District.
- Issues 8, 10 and 12 should be consolidated and identified as one-year goals. District staff should review the County of Monterey's permitting process, determine if there is duplication of services, and decide if some tasks could be handled more efficiently by the County.
- Issue 9: combine with Issue 11 and specify as one-year goals.
- Issue 13: consolidate with Issues 8, 10 and 12. This is a one-year goal that will be addressed during development of the FY 2013-14 budget.
- Issue 14, a topic addressed in development of the FY 2013-14 budget. Not appropriate as a strategic plan goal.
- Issue 15, a topic addressed in development of the FY 2013-14 budget. Not appropriate as a strategic planning goal.
- Other Items:
 - The Board is amenable to changing the rotation pattern for establishment of Chair and Vice Chair. Staff should contact the County of Monterey re its rotation process and develop a modified rotation schedule for Board review.
 - Directors prefer to receive paper copies of Board meeting materials, rather than electronic files accessed from a tablet or other device.
 - The Board Chair should continue as spokesperson for the Board.
 - Retention of water rights should be incorporated into the Strategic Plan.
 - Add a new goal, Increase Capacity of San Clemente Dam

PUBLIC COMMENT ON STRATEGIC PLANNING DISCUSSION

No comments were directed to the Board of Directors.

ADJOURNMENT

The meeting was adjourned at 8:10 pm.

ITEM 8

MPWMD April 1, 2013 Strategic Planning Workshop

Potential Initiatives for 1-Year and 3-Year Goals

1. Continue to Advance Water Supply Projects

The District has made progress over the past year to secure funding for planning and advancement of water supply projects. Continued progress would entail the following:

- Further develop the “Rate Reduction Certificates” proposal for a public contribution for the Cal-Am desalination project.
- Enter into cost-sharing agreement for Groundwater Replenishment and advance CEQA and feasibility work.
- Complete Water Project 1 (ASR Phase 1) – Enhanced backflush pond, redefine easement, enter into agreements with City of Seaside and FORA, complete construction.
- Local Projects – Work with jurisdictions to advance planning and development of local supplies. Includes Seaside municipal replacement supply, Pacific Grove local projects, Carmel recycled water and perennial springs. Consider providing seed-level matching funding to advance local planning.
- Odello property – Regulate and provide oversight to owners’ proposal to de-link water right and transfer property into open space public land.

2. Develop Comprehensive Strategy for Permit 20808-B

The District has successfully reassigned portions of the original New Los Padres Reservoir permit 20808 to Phases 1 and 2 of ASR (20808-A and 20808-C.) However, permit conditions for each are different. The remainder permit is 20808-B and, without an approved extension, could be revoked by the SWRCB if water is not put to authorized use by the year 2020. A strategy for the remainder would include:

- Identification of two to three potential new injection and recovery sites, both in the Seaside Basin and the Carmel Valley
- Possible source well rehabilitation and/or expansion in Carmel Valley; Potential treatment capacity expansion. May require EIR.
- Develop strategy for direct diversion component of water right.
- Amend existing permits and conform all permits to same standards; Attempt to create greater operating flexibility such that any injection well can inject any water and wells can be used for both recovery and production.
- Consider completing a water availability analysis and an IFIM study (see below) to develop new permit conditions.

3. Work With Community to Protect Investment in Water Credits and “Smart” Development

Use of water savings for expansion of homes or businesses has been adversely affected by the economy, the CDO, and the demise of redevelopment agencies. The District began a year ago to assess ways it could help the community utilize its investment in water savings and foster “smart” development, such as mixed-use development in the downtown areas as promoted by general plans. Some of the activities below are already in progress, but activities would include:

- Ordinance 151 extension of implementation dates and implementation of toilet credit incentive (J. Byrne suggestion)
- Ordinance 154 “tolling” or extension of life of credits to reflect suspension during CDO period
- Ordinance 155 redefining redevelopment agency projects in order to maintain existing credits in former redevelopment agency sites
- Working with SWRCB to modify language in April 2012 interpretive letter in order to allow meters to be set for mixed use projects and to allow multiple meters for new projects on sites that had a meter to supply water when the CDO was enacted.
- Working with business owners where possible to allow projects to proceed while CDO is in effect (examples: Robert Louis Stevenson School, E Miller Architects, Regency Theater, etc)

4. Revise Rationing Program in Advance of “Regulatory Drought”

The existing rationing program which was developed by the District and is the same as Cal-Am’s program does not appear sufficiently robust to address the required reductions in water supply due to the CDO and the Seaside Basin Adjudication. Stated simply, allocating a baseline 35 gallons per person per day for health and safety purposes leaves zero legally available water for commercial and institutional use. Approaches might include:

- Evaluate the “baseline” need for individual use
- Examine health and safety needs of institutions (CHOMP, law enforcement, schools, etc)
- Discuss status of visitor serving facilities (commercial v. transient residential)
- Develop alternate strategies that address economic viability of region
- Work with SWRCB to better understand limitations of rationing as regulatory tool

5. Prepare for Allocation of “New Water”

The 1990 Allocation EIR resulted in the District developing a process for the allocation of water to the jurisdictions. The process was very interactive with jurisdiction participation. The District will need to be proactive to develop fair and equitable mechanisms for allocation of such water to the jurisdictions. Policies need to be considered for:

- The almost 1,800 acre-feet for legal lots of record
- Local projects that may free-up potable supplies within jurisdictions
- Future ASR, Table 13, Odello, changes in permit conditions, and so on may create additional supplies
- Use of any “excess” supplies in the early years of the project, before allocation to full build-out of Pebble Beach or legal lots of record

6. New Modeling Tools

The District has lost its ability to adequately model several systems and build conclusions based on data. There are three areas of modeling work the Board may wish to contemplate as strategic priorities:

- **Development of IFIM Model:** An instream incremental flow methodology (IFIM) study for the Carmel River could be used primarily in association with water rights applications and future water rights permits from the State Water Resources Control Board (SWRCB). IFIM is an accepted scientific approach to quantifying the effects to aquatic habitat from various levels of instream flows. This type of study can provide the basis for establishing instream flow requirements necessary to maintain steelhead habitat in the Carmel River. However, the cost for such a study could be up to \$500,000 and take 18 months to complete. Cal-Am might participate in jointly funding a study with MPWMD, but the District would have to be prepared to fund it alone. The California Department of Fish and Wildlife could also be a partner in such a study. Potential benefits to MPWMD from a study include an increased yield for the Aquifer Storage and Recovery (ASR) program as well as a better understanding of aquatic habitat requirements.
- **Replacement for CVSIM:** The District's Carmel River flow simulation model CVSIM no longer works. It was a customized FORTRAN-based model compiled on the mainframe computer at the Naval Post-Graduate School. Although District staff have programming knowledge of FORTRAN, the current version of CVSIM has not been compiled successfully to run on the desktop computers available at the District and could require a significant debugging effort to run it on a PC. Better models are now available that can be run on desktop computers, in-house. As part of the update to the Integrated Regional Water Management Plan, District staff are evaluating modeling alternatives. However, the acquisition and implementation of a new model will require a commitment of time and resources. Cost of a new model could be in the range of \$250,000 and will require a dedication of staff resources to develop the datasets to represent the Carmel River.
- **Demand Modeling:** As was evidenced during the discussion of the sizing of the proposed desalination plant, determining future demand for water in the service area has not been done on a scientific basis. Instead recent past demand has been used as a proxy for the future. However, there was no effort to normalize past demand for weather conditions. Nor has price elasticity and the business cycle been adequately addressed. As the region once again looks to provide water for legal lots of record and, eventually, general plan build-out it may be useful to have better tools for assessing water demand.

7. Establish a Long-Term Strategy for Los Padres Dam

In 2011 the District proposed increasing water supply capacity at Los Padres Dam through either a rubber dam on the existing spillway, or dredging. Cal-Am however has expressed little or no interest in these projects in the past. Cal-Am has undertaken studies of replacing or enhancing fish transport through the dam and is presently performing a dredging feasibility study. The National Marine Fisheries Service has indicated that permanent removal of Los Padres Dam is a

priority for restoration of the Steelhead in the Central Coast. However, many fisheries experts believe that a regulated river would be a better long-term solution for the Steelhead. Further, an unregulated river might radically affect the water rights and businesses of property owners along the river. So long as the threat of dam removal exists, it is unlikely that significant long-term investment will be made in Los Padres Dam. The District may wish to address the following:

- Dam ownership
- Dam removal and Steelhead recovery
- Property owners and rights
- Additional water supply
- Fish passage
- Extending District river work permit jurisdiction upriver to extend regulatory authority

8. Streamline Water Distribution System (WDS) Permit Process

Over the years the WDS permit process was extended beyond the Carmel Valley Alluvial Aquifer and Seaside Basin into upland fractured bedrock areas and other miscellaneous basins, and beyond wells serving multiple parcels, to now include all wells. The District reviews well yield, sets production limits, as well as ascertains whether there are interactions with neighboring wells that would cause impacts. A review of 97 WDS permits issued between 2001 and 2012 shows that about two-thirds of the permits issued in the period were for systems outside of the original Ordinance 96 requirements (i.e., the systems were outside of the Carmel Valley Aquifer or greater than 1,000 feet from streams flowing directly into the aquifer). The total system production limits set by the District for these wells is 87.87 acre-feet per year (another 90 AFY was permitted at Monterey Bay Shores in the Seaside Basin). District staff analyzed all production in the fractured bedrock upland areas, but no conclusions could be drawn indicating whether there is currently an overdraft or of interaction with the Carmel Valley Aquifer. The Board should examine whether we have received the desired benefits from this regulatory framework and whether it may be in the public's interest to streamline or reduce the WDS permitting process. Specifically, the Board may want to examine:

- What are our interests in WDS regulation?
- What regulations are required to achieve those interests?
- Is there another way to achieve what we need other than the current WDS permit process?
- Are some areas more important than others? (CVAA? Seaside Basin? Fractured rock uplands? Coastal zones?)
- What approaches would work? e.g. Amend Rule 22 to create more exemptions for Level 1 permits? Roll back to 3 or more (10 or more) parcels served? Only wells in CVAA and Seaside Basin?
- What would be the benefits of a streamlined process – to customers? To District?
- Should small systems (i.e. single connections) be exempt from connection charges?

9. Commercial Sector Conservation & Outreach

The non-visitor serving commercial sector has been somewhat overlooked in terms of conservation retrofits. A focus on this sector could yield significant benefits during the next 18 months while rebate monies are available. The District may wish to prioritize this area to include:

- Increased outreach and advertising of District programs
- Redirecting Water Demand Division field representatives to perform commercial audits/inspections
- Consider enforcement of District requirements

10. Streamline Water Permit Process

- Should the connection charge be revisited or renamed as a capacity charge?
- Change deed restriction review to require legal review only when there is complex ownership
- Access to water records for all Water Permits (without fees) Provide for expedited processing of Water Permits

11. Public Outreach

The District has made great strides in its community profile in the past year. However, additional work needs to be done.

- Hire outside consultant to assist with media relations, messaging, and integrated social media outreach, rather than re-hiring in-house staff
- Improve electronic distribution lists
- Continued outreach to Community and Business Groups
- Develop and install interpretive signs at Garland Park gage, South Bank Trail, Songbird Sanctuary, and Lagoon
- Revamp look and feel of District website
- Consider purchase of logo-wear for field employees and/or employees in general for visibility

12. Consider Revising Carmel River Mitigation Plan

The removal of San Clemente Dam and the replacement of unlawful diversions of water will both significantly change the conditions and behavior of the Carmel River. The District will need to assess the changes that might be required in its fisheries, vegetation, lagoon, and hydrologic monitoring activities.

13. Reorganization, Benefits, and Bargaining

The Board may want to review its essential services and staffing levels, as well as succession plans. This review may include actions related to the following:

- Reductions in personnel through outsourcing, shift to part-time, or elimination of functions
- Creation of a two-tier benefits program for new employees
- Examination of salary increases in the context of benefits changes and the need to ramp-in employee-paid PERS contributions
- Assessment of effect of new financial software on District operations
- Review opportunities for shared services
- Consider 2-3 employee team-building or morale-building events each year

14. Financial Stability and Control

The District has done much in the past year to secure its financial position, as well as to better monitor financial position on an ongoing basis. Additional priorities might include:

- Implement new financial software and develop tools to better identify budget variances on ongoing basis
- Audit and improve Water Supply Charge database to increase collections for 2013-14
- Execute loan agreement with Rabobank in order to replenish reserves. Develop clear repayment plan for loan.
- Review District's reserve to determine appropriate levels are set in place to accomplish future goals
- Find ways to solidify District's financial position to reduce future borrowing costs
- Continued effort to secure District right to collect User Fee on Cal-Am bill
- Need to achieve success in securing IRWM implementation grant monies; Lobby Sacramento
- Work jointly with MRWPCA to secure grants/loans for GWR
- Update Fees and Charges Table to reflect current costs of services

15. Facilities

There are certain facilities-related issues that must be resolved in a 1-year to 3-year horizon:

- File retention – Policies must be reviewed and explained to staff; Develop plan for reduction of retained files; Consider reduction of onsite and offsite spaces dedicated to file storage
- Evaluate electronic Document Storage System to promote paperless office goal and reduce District resource costs.
- District garage must be cleaned and materials consolidated
- The Carmel Valley office needs heating/air conditioning – work with landlord on cost sharing and installation; Examine replacement of floor coverings
- Floor coverings need to be replaced in District main building (safety hazard)
- Building signage needs to be made consistent with current logo