



EXHIBIT 18-D

FINAL MINUTES

**Ordinance No. 152 Oversight Panel of the
Monterey Peninsula Water Management District
February 19, 2015**

Call to Order The meeting was called to order at 9:10 am in the conference room at the offices of the Monterey Peninsula Water Management District.

Committee members present:

Paul Bruno
Jason Campbell
Jody Hanson
Todd Kruper
John Bottomley
George Riley
Christine Monteith
John Tilley

MPWMD Staff members present:

David J. Stoldt, General Manager
Arlene Tavani, Executive Assistant

Committee members absent:

Norm Yassany

Comments from the Public:

No comments were directed to the committee.

Action Items

- 1. Consider Adoption of Minutes of August 19, 2014 Committee Meeting**
Hanson offered a motion that was seconded by Campbell to adopt the minutes with one amendment: note on page 2, under item (F) that the committee expressed some disagreement with the plan to use water supply charges to fund election expenses. The motion was approved unanimously on a vote of 8 – 0. Yassany was absent.

Discussion Items

- 2. Review of Actual December Receipts**
Stoldt reviewed the summary of Water Supply Receipts provided in the committee packet. He noted that the District's activities are funded by the water supply charge and a small percentage of property taxes with no automatic escalation for inflation. Over time, the pay-as-you-go costs of water project planning may decrease, and the connection charge could be reduced. But at some point, it must be decided how to fund increasing indirect costs such as labor, services and supplies.

3. Update on Ongoing Water Supply Charge Spending – Capital Improvement Budget

Stoldt reviewed the Water Supply Charge Availability Analysis and responded to questions. **Question:** Are ASR expansion costs paid by the District, or are they reimbursed by California-American Water? **Response:** The District has a water right to take water from the Carmel River under certain conditions and store it. The District is investigating the possibility of injecting that water into new wells in Seaside or Carmel Valley. **Comment:** Instead of working to increase storage at Los Padres Dam, you should request that the State Water Resources Control Board (SWRCB) authorize a four-year extension to the CDO deadline. **Response:** The only way to increase production from the Carmel River is to construct the New Los Padres Dam, but that can't be done while the Cal-Am desalination project or another project is proceeding. Negotiating with the SWRCB may not be the most effective way to obtain a four-year extension of the CDO. **Question:** Regarding Exhibit 3-B, do the asterisks indicate that a portion of the cost or the entire costs is allocated to indirect labor costs? **Response:** Will obtain clarification and report back to you. **Question:** Why are water supply charges allocated to payment of election costs? **Response:** This is payment to Monterey County Elections for conducting the election of directors. The cost has been allocated equally to Conservation, Mitigation and Water Supply, so that 1/3 of the cost is funded by the water supply charge. All directors oversee all the District's activities including water supply, so a portion of the election cost should be paid by the water supply charge. **Question:** What is the long-term plan for the Water Supply Charge? **Response:** Stoldt will prepare a 10-year projection for committee review at a future meeting. **Question:** At what point does the rate of progress on Cal-Am's Desalination Project determine if funding for DeepWater Desal will end. **Response:** The commitment to DeepWater Desal is \$800,000 over two years. In June that time period ends and only \$400,000 has been spent. The Board will decide in June if it will extend the contract to provide funding for the EIR process. The District is leaning towards funding DeepWater Desal up to the full \$800,000, but resources may not be sufficient to fund the Pure Water Monterey Project and DeepWater Desal. It is anticipated that the cost of water from the DeepWater Desal Project will be lower than from Cal-Am's Desal project. The question is, if the CPUC approves the Cal-Am project, will the California Coastal Commission approve two projects just 17 miles from each other.

4. Update on Ongoing Water Supply Charge Spending Plans for Groundwater Replenishment

Stoldt reviewed documents presented under Item 4 and responded to questions. **Comment:** Identify a word to replace reclamation "ditch." **Comment:** When could the water supply charge be retired? **Response:** If the User Fee was reinstated, and the District reimbursed funds that had been depleted, the District may choose to collect the user fee and the water supply charge for a couple of years to build up a fund to be used for water supply development. Before that decision is made, it would be brought to the committee for consideration. **Comments:** Some committee members stated that they would not support continued collection of the water supply charge. **Question:** Is there any chance that funding would be available from the State Water

Bond? **Response:** \$725 million is set aside in the water bond for water recycling and desalination, but for 2016 the State has only \$134 million budgeted for recycling and \$9 million for desalination. Money for desalination is only available for publicly owned projects. As for water recycling, we have begun the process to apply for funds, but may only be eligible for loans, not grants.

Bruno offered a motion that was seconded by Bottomley to recommend that election costs should be considered an indirect expense. The motion was approved on a vote of 6 – 2. Bruno, Bottomley, Hanson, Kruper, Monteith and Tilley voted in favor of the motion. Riley and Campbell were opposed.

5. Overview of Appellate Court Decision Regarding MPWMD Authority

Stoldt reviewed the appellate court findings in Thum V. MPWMD that were presented in the staff report.

Stoldt distributed a report entitled Los Padres Dam and Reservoir Long-Term Plan, for review by committee members. He advised the committee that the Fiscal Year 2015-16 Budget would include expenditures from the water supply charge related to the future use of Los Padres Dam for water supply and protection of the fishery.

Adjournment

The meeting was adjourned at 10:45 am.

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