



EXHIBIT 14-D

FINAL MINUTES
Ordinance No. 152 Oversight Panel of the
Monterey Peninsula Water Management District
June 7, 2016

Call to Order The meeting was called to order at 10:35 am in the conference room at the offices of the Monterey Peninsula Water Management District.

Committee members present:

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

MPWMD Staff members present:

David J. Stoldt, General Manager
Suresh Prasad, Administrative Services Manager
Arlene Tavani, Executive Assistant

District Counsel Present:

Heidi Quinn

Committee members absent:

John Tilley

Comments from the Public:

No comments were directed to the committee.

Discussion Items

1. Update on Annual Water Supply Spending – Discuss Proposed Budget and Capital Improvement Plan for FY 2016-17

Stoldt reviewed Exhibit 1-A, 2016-17 Capital Improvement Plan, with the committee and responded to questions. Prasad reviewed Exhibit 1-B, Water Supply Charge Proposed Budget. He stated that the Net Revenue Over Expenses shows a shortage of \$795,650. This will be covered by shifting a percentage of 2016-17 Mitigation and Conservation fund revenues to the Water Supply Fund. There will be no need to return that money to the Conservation and Mitigation funds. However, funds that were previously transferred from the MPWMD Reserves must be replenished. Stoldt explained that Pure Water Monterey Project (PWM) expenses have been partially funded from MPWMD Reserves. When debt funding for PWM has been obtained, Water Supply Charge (WSC) funds will be used to pay back the MPWMD Reserves. In response to a question from the committee, Stoldt stated that the estimated cost for PWM is \$83 to \$113 million depending on reimbursements received. The estimated costs are: \$7 million for conveyance and diversion facilities; \$36 million for the reclamation facility; \$27 million for the pipeline; and other costs related to injection

facilities and engineering. The maximum cost per acre-foot has been capped at \$1,720. The estimated cost for the 6.4 mgd desalination plant is \$4,800 per acre-foot, and the 9.6 mgd desalination plant is approximately \$4,400 per acre-foot. The difference in cost between the two desalination plants is approximately \$1,200 to \$2,300 per acre-foot, depending upon assumptions, and that is the number that the PWM cost is being compared to. Typically, the California Public Utilities Commission (CPUC) only considers the cost of operation and financing for the first year and does not consider future replacement and energy costs. Over time, the desalination project replacement and energy costs will increase, so PWM is reasonable and a benefit to ratepayers over its lifecycle, but the CPUC must agree to the methodology of determining cost.

2. Review of Revenues and Expenditures of Water Supply Charge Related to Water Supply Activities

Prasad reviewed Exhibit 2-B, Water Supply Charge Availability Analysis. He noted that the 16.1% listed as indirect costs as a percent of the WSC reflects the July 2015 through March 31, 2016 time period. By June 30, 2016, the percentage will be reduced based on receipt of the entire \$3,400,000 that is expected to be received from the WSC.

Action Items

3. Develop Recommendation for 2016 Annual Report

The committee discussed development of recommendations for an Annual Report to the MPWD Board of Directors. It was agreed that Stoldt would prepare a report that states: the committee accepts the Board of Directors plan to collect the user fee and WSC for three years; the District should prioritize payoff of the Rabobank loan and develop a blueprint for ending the WSC. Stoldt will submit a draft report to the committee members for review. Comments should be directed only to Stoldt. The Annual Report should be submitted at the July 18, 2016 Board of Directors meeting.

Comments from the committee and Stoldt. (a) The main concern is: when will the WSC sunset. (b) The District must exhibit fiscal restraint if it will simultaneously collect both the WSC and the User Fee. (c) Propose that each year, \$1.5 million from the WSC be allocated to payment of the Rabobank loan. *Stoldt – as we continue to collect the WSC and the user fee, a sinking fund would be established to pay off the Rabobank loan. Once the amount of revenue the user fee will provide is known, it could be collected for three years and then a portion of the WSC could be sunset based on the portion of PWM and desalination project expenses that will have been paid. If the desalination project is delayed and there is no immediate need for the WSC, it should not be de-authorized. The District needs the opportunity to implement the WSC again if needed.* (d) Collecting two sources of revenue is appropriate because: the commitment to development of the desalination project is unpredictable; Cal-Am revenues will be in flux; and under collection of Cal-Am revenues will be an issue. (e) How was the WSC intended to augment revenues when collection of the user fee was denied? *Stoldt – the user fee generated approximately \$2.4 million each year but it was not enough to build a water supply project. The WSC was proposed to generate approximately \$3.4 million per year.* (f) The District is now viewed as a partner in water supply development. (g) A good solution would be for the District to spend \$600,000 each year from the WSC to pay off the Rabobank loan, in the event that desalination is not approved and another water supply option must be funded.

4. Consider Adoption of Minutes of September 24, 2015 and February 29, 2016 Committee Meetings

On a motion by Riley and second of Kruper, the minutes of the September 24, 2015 and February 29, 2016 committee meetings were approved unanimously on a vote of 7 – 0 by Riley, Kruper, Bottomley, Bruno, Campbell, Hanson, and Monteith. Tilley was absent.

Other Items

5. Update on District User Fee and CPUC

Stoldt reviewed the information provided in the staff report. He noted that an all-hands meeting between the Office of Ratepayer Advocates, Cal Am and the CPUC has been scheduled on June 22, 2016 to discuss issues related to reinstatement of the user fee. Definitive action must be taken soon, so that Cal Am can modify its rate request to include or exclude the user fee.

6. Water Supply Project Update

No report.

Adjourn: The meeting was adjourned at 12:10 pm

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