

Ordinance 152 Citizens Oversight Panel

2019 Annual Report

2019 Recommendations

The following areas of discussion represent five key topics the Panel has identified of particular interest or concern during the recent calendar year.

1. **Measure J Costs:** A portion of the panel believes that the Water Supply Charge was intended for projects to solve the region's longstanding water supply problem and should not be used to fund any of the costs related to Measure J. That includes the cost of the feasibility study, costs related to a "right to take" bench trial, the costs related to a subsequent jury trial to establish fair compensation, and/or the costs of acquisition. The Panel was provided an outside legal opinion that the Water Supply Charge may be used for such Measure J costs and remains divided on the issue.
2. **Mechanics Bank Loan and Other District Obligations:** The Panel urges the District to develop a plan to retire the Mechanics Bank (formerly Rabobank) loan that was initiated to pay for the Aquifer Storage and Recovery water supply project in a timely fashion after the District's User Fee was suspended by the CPUC.
3. **Dual Collection of the Water Supply Charge and District User Fee:** The User Fee began collection in July 2017. The Panel recognizes the plan adopted by the District Board in April 2016 to collect both fees for a 3-year period because: (i) the User Fee would primarily fund programs already in Cal-Am surcharges (District conservation and river mitigation), so there was little "new" revenue; (ii) there were still large near-term expenditures required on water supply projects; and (iii) Cal-Am had a recent history of significant revenue undercollection, so it made sense to have a period of collection until the predictability of the User Fee revenue was better known. However, the Panel reminds the Board that June of 2020 will be the end of the third year of dual collection, therefore it is time to begin a plan for their use, including reductions or possible sunsets of either or both.
4. **Reserve Policies:** The Panel believes that the District should focus on its reserve policies and set criteria and determine funding sources for each and determine the impact, if any, on the sunset of the Water Supply Charge. Such reserves should include capital renewal and replacement, capital equipment, flood/drought reserve, and Pure Water Monterey operating and drought reserves. Reserves for PERS and OPEB liabilities, litigation/insurance, and general fund reserves should also be considered, but such are most likely funded from the District's User Fee.

EXHIBIT 14-A

5. **Local Projects:** The Panel continues to support the use of a portion of the Water Supply Charge for Local Projects, such as the Pacific Grove non-potable water source and the Airport well repurposing. As such, the Panel recommends appropriation of a similar sum of money from the Water Supply Charge from future budgets to the extent projects can be identified.

Respectfully submitted by the Ordinance 152 Citizens Oversight Panel, February 19, 2020.