



Annual Water Supply Charge

Frequently Asked Questions

1. Why is this charge needed?

- a. When the California Public Utilities Commission (CPUC) took away the collection of the MPWMD user fee through the Cal Am bill, the District was left with a \$3.7 million gap in its budget – approximately 46 percent of the total annual budget. Without a replacement of that revenue source, the District does not have the ability to fund development of much-needed water supply projects.

2. What was wrong with the old user fee and collection method?

- a. The CPUC disallowed the collection of the District's user fee to be passed through on the Cal Am bill. The judge agreed that the user fee was legal, but stated that she would disallow the charge to be collected on the Cal Am bill.

3. What will this charge support?

- a. Revenue collected from the annual water supply charge will fund the District's water supply activities, including capital acquisition and operational costs for Aquifer Storage and Recovery (ASR), Groundwater Replenishment (GWR), and related water supply purposes. Funds may be used for water supply management, water demand management, and water augmentation programs related to the provision of water. No more than 15 percent of proceeds shall be used to fund general unallocated administrative overhead costs.

4. Who will be charged?

- a. The charge will be assessed to the properties within the District boundaries that are served by the Cal Am "main system," as the water supply projects to be supported by this charge will provide present beneficial water use only to customers connected to the main system. At this time, the various Cal Am sub-units are exempt.

5. How is customer data collected and what if a customer is wrongly charged?

- a. The District is using property and customer data from the county, Cal Am, Monterey Regional Water Pollution Control Agency (MRWPCA) and Carmel Area Wastewater District (CAWD) to determine the categories of water users and the charge amount. Should a property owner be billed in error, the District has created an appeal process.

6. How will your projects benefit the community and reduce cost of desal?

- a. The projects funded through this fee are needed to address the reduction in production allowed from the adjudicated Seaside Groundwater Basin and will assist Cal Am in

offsetting its reduction in production of water from the Carmel River as mandated by State Order 95-10. These projects will reduce the overall size and cost of desalination.

7. How can we be assured this charge will not go toward Carmel River mitigation programs or overhead costs?

- a. The fee ordinance specifically states “Proceeds of the charge imposed by this Ordinance may only be used to fund District water supply activities, including capital acquisition and operational costs for Aquifer Storage and Recovery and Groundwater Replenishment purposes.” Additionally, the ordinance specifies that no more than 15 percent of proceeds collected may be used to fund general unallocated administrative overhead costs. Finally, the board will annually review the amounts collected and expended to ensure they are in relation to the purpose for which the fee was originally enacted.

8. How will mitigation be funded if the new charge is supporting water supply?

- a. The District is seeking to have Cal Am pay a greater portion of mitigation costs. Currently, Cal Am has agreed to fund at least \$1.6 million of the annual program costs through 2014. The remainder of mitigation costs will be covered through the District’s other revenue sources.

9. Why don’t you just stop mitigation?

- a. MPWMD’s 1990 Allocation Environmental Impact Report (EIR) required river mitigation as a responsibility of the District. Further, the ASR EIR also required certain mitigation for the project to go forward. The operating permit for ASR also states certain requirements that are embodied in the Mitigation Program. Additionally, Cal Am has repeatedly stated that MPWMD is best equipped to carry out the Mitigation Program in a cost-effective manner due to the District staff’s expertise and experience. For more on the requirements for a mitigation program, read the [“White Paper on MPWMD Mitigation Program”](#) available on the District’s website.

10. Why doesn’t Cal Am cover the costs of water supply projects?

- a. Cal Am is committed to covering the costs of the second and third phase of ASR. The District will fund the remainder of phase one and a possible fourth phase of ASR. By having the District fund these phases of ASR, as well as the GWR project, we are able to access better tax-exempt market rates for financing, thereby lowering the overall cost for ratepayers. If Cal Am were to develop the same projects as the District, the costs recovered through its ratepayers would be significantly higher.

11. What costs is the District cutting?

- a. About 45 percent of the District’s budget is comprised of grants and reimbursements. The remainder of the budget has remained around \$5 million, including a budgeted \$3.7 from user fees, for the last ten years. As the District entered the latest budget cycle, excess costs were closely scrutinized. The District has already reduced staff costs by leaving some upper-level positions vacant in the past 18 months. Furthermore, we are reducing mitigation program costs by having Cal Am pay a greater portion.

12. How were these new rates or charges developed?

- a. The District retained a rate consultant who determined fair allocation of fees based on meter size and allocated water usage by parcel type and category. The annual water supply charge is based 30 percent on meter size and 70 percent on water consumption. This was done using industry accepted usage factors and is consistent with California Urban Water Conservation Council's best management practices. The charge could not be based on actual water consumption as that data belongs to California American Water and is considered to be confidential.

13. How will MPWMD collect the charge?

- a. The District evaluated various collection methods, to include direct billing and third-party billing. In June, the Board of Directors voted to contract with the county assessor to bill on the semi-annual assessor's roll billing. Collecting on the county assessor's bill is the least expensive and most secure method.

14. Is there a sunset date for the charge?

- a. The rate ordinance specifies that the fee will be required to sunset when the purpose for the fee no longer exists. The Board will hold a public hearing each year to review collection and expenditures related to the fee's purpose, at which time the Board may elect to decrease or eliminate the fee as required. The rate ordinance also specifies that the District shall not collect a water supply charge in 2018-19, or any subsequent year, if no project is identified and underway by Dec. 31, 2017. Additionally, no supply charge shall be collected if alternative funds become available via a charge on the Cal Am bill.

15. What legal right does District have to enact such a charge?

- a. The District's enabling legislation, which is part of the State Water Code, authorizes such rates and charges to be assessed and collected. Other sections of State Government Code and Health and Safety Code also authorize the District to collect rates and charges. Additionally, Proposition 218 governs the ability of the District to raise or change the water supply charge.

16. How is this fee covered under Prop 218?

- a. Proposition 218 distinguishes between three types of financing tools: taxes, fees and assessments. MPWMD's charge is classified as a "fee" under Prop 218. Under Prop 218 definitions, a fee "may be imposed by an agency upon a parcel or upon a person as an incident of property ownership, including user charges for a property-related service." Fees can include: direct and indirect expenses to operate, purchased water, O&M expenses, repair and replacement, capital improvements, regulatory compliance, and to build cash reserves.

17. How did the protest vote work?

- a. Under Proposition 218 law, affected property owners were notified of the proposed fee and given 45 days to submit one protest for each parcel owned. A public hearing on the matter was held June 12 where the District Board heard from the public and closed the period for submitting protests against the fee. A majority protest to defeat the charge

would have required 15,255 protest letters from the eligible 30,509 property owners. The fee passed with 10,343 eligible protests submitted.

18. Why not let the community vote on the charge enactment?

- a. As outlined in Prop 218, fees for water, sewer and garbage services are subject to the Prop 218 notice, hearing and majority protest procedures and are specifically exempt from the voter approval requirement. Furthermore, the District has taken project initiatives to a public vote in the past when it was not legally required to do so. In those cases, the public voted down two water supply projects – a dam and a desal project. With the State’s Cease and Desist Order deadline looming, the District cannot risk any more water supply projects to the non-mandated voter approval process. The District must work within the recommended limits of the law.

19. How was the community notified of this charge?

- a. On April 27th, the District mailed notice to affected property notifying them of the public hearing and outlining the reasons for the proposed fee, calculation of rates, and instructions on how to protest. This information was also available on the District’s website. In addition, the District met with various community organizations and gave presentations to the city councils throughout the months of April and May.

20. What other options does the district have for financing its costs?

- a. Other MPWMD revenue sources include certain property tax allocations, connection charges, permit fees, reimbursements from other entities, and interest earnings, plus temporary borrowing from a line of credit and use of previously funded reserves. The District has effectively depleted its reserves – this is not an option for future financing. The other sources do not generate enough revenue to fund development of water supply.

21. What happens if the District doesn’t collect this fee?

- a. The District has looked at redirecting expenditures from mitigation and conservation programs, as well as furloughs and lay-offs to fund for water supply projects. However, these actions cannot easily be accommodated without potentially disrupting legally mandated requirements or leaving grant-funded or reimbursed programs unserved, resulting in future potential liabilities. In fact, the ability to meet the permit requirements for operation of the ASR water supply project would come into question. Without the water supply charge, the District will not have sufficient funds to pay for water supply facilities and related water supply expenditures.

22. How can I get more information?

- a. The notice of public hearing, rate study, rate ordinance, fact sheets and other related documents are available on the District’s webpage at www.mpwmd.net. Click on the ‘Information on Annual Water Supply Charge’ link under Important Announcements. District staff and board members are also available to speak to your organization. To request a presentation, contact Rachel Martinez, the District’s community relations liaison, at 658-5653.