

MONTEREY PENINSULA REGIONAL WATER AUTHORITY



September 12, 2014

Nicholas E. Chiulos
Assistant County Administrative Officer
County of Monterey Administrative Office
168 W. Alisal Street, 3rd Floor
Salinas, CA 93901

Directors:
Jason Burnett, President
Bill Kampe, Vice President
David Pendergrass, Secretary
Jerry Edelen, Treasurer
Chuck Della Sala, Director
Ralph Rubio, Director

Executive Director:
Jim Cullem, P.E.

Re: Updated MPRWA Projected Budgets through FY 2017-2018

Dear Nick;

As requested, I am providing updated budget projections through FY 2017-2018 for the Monterey Peninsula Regional Water Authority (MPRWA) in support of the January 6, 2014 letter (attached) to the Board of Supervisors requesting a 34% "fair-share" contribution towards funding the Water Authority's expenses. This update replaces my letter dated February 18, 2014.

Projections for FY 2015-2016 and beyond are tentative since approximately 40-50% of our budgets have been consumed by our Legal Counsel and contracted Special Counsel (Counsel of Record). Legal expenses have proven difficult to predict as the Authority is actively participating as an "Intervener" in the CPUC process for Cal Am application A.12-04-019 for the Monterey Peninsula Water Supply Project (MPWSP.) Counsel has had to respond to periodic requests and requirements from the CPUC Administrative Law Judge, as well as providing guidance to the Authority in support of Cal Am's efforts to obtain permits and approvals for the MPWSP from a variety of public agencies.

All expenditures, including legal expenses, for FY 2011-2012 (partial year) and FY 2012-2013 have been paid and were addressed in the recently completed audit of the Water Authority. Accordingly, the request for an increase in the FY 2012-2013 County fair-share from \$83,300 to \$162,000, as requested in the January 6th letter, is well established.

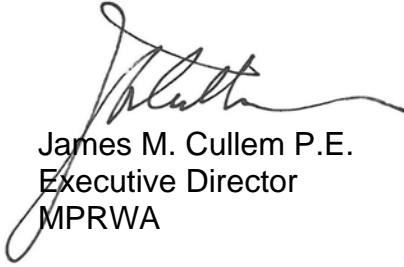
The FY 2013-2014 budget was approved at \$423,680 and although the year-end finances have not yet been audited, expenditures should fall well within budgeted amounts. Accordingly, at 34%, the County fair-share for FY 2013-2014 would be \$144,051.20.

The adopted budget for FY 2014-2015 is \$458,680 and the County fair-share would be \$155,951.20.

We now expect legal expenses to remain at about \$200,000 per year, and by increased staff efforts to reduce other expenses, we hope to keep the total budget at or below \$450,000 per fiscal year for the next 4 years. At 34%, the County fair-share would be approximately \$153,000 per year during that time period.

Please do not hesitate to contact me for discussion or additional information at 831-241-8503 (cell) or cullem@monterey.org.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Cullem", is written over the typed name and title.

James M. Cullem P.E.
Executive Director
MPRWA

C: MPRWA Letter to the Board of Directors dated January 6, 2014