

Attachment B

Source and History of CSIP Reserve Funds:

The 1995 finance plan for the CSIP/SVRP (Castroville Seawater Intrusion Program / Salinas Valley Reclamation Project) included revenue from real property assessments from MCWRA Zones 2, 2A and 2B, water delivery charge paid by water users in Zone 2B, a portion of property taxes levied in Zone 6, annexation fees paid by properties to annex to Zones 2, 2A and to be included in Zone 2B when Zone 2B was originally formed, and from revenues generated by the Nacimiento Dam hydroelectric plant. The CSIP/SVRP finance plan included two loans from the U.S. Bureau of Reclamation (Bureau), a loan from the State of California, and issuance of municipal bonds. A CSIP Rate Stabilization Reserve (RSR) Account was established as allowed in the municipal bond Installment Purchase Agreement to absorb potential short-term cost increases at the commencement of Bureau loan repayments. Any cost increases did not significantly impact repayment of the bonds. Consequently the RSR was not used, and has since remained intact at a balance of \$3.5 million.

The CSIP/SVRP RSR was funded substantially from hydroelectric project revenue. In June of 1995 the MCWRA Board of Supervisors adopted Resolution 95-250 assigning the Agency's share of surplus revenue from the Nacimiento Hydroelectric Project to CSIP/SVRP for funding the Projects' "planning, construction, operation, maintenance, debt service and reserves." The allocation of funds between the Hydroelectric and CSIP and/or SVRP was at the discretion of the Agency's General Manager. Between July 1, 1995, and June 30, 1998, funds totaling \$3,274,196 were transferred from the hydroelectric project surplus revenues to the CSIP/SVRP. In 1998, the balance of \$3.5 million was established in the RSR. (In 2003, Resolution 95-250 was superseded by MCWRA Board of Supervisors Resolution 03-017, as part of the Salinas Valley Water Project finance plan, after the CSIP/SVRP RSR was established.)

On October 1, 2003, all municipal bonds issued to finance the CSIP/SVRP were retired. With all bonds retired, the bond Installment Purchase Agreement is terminated and there is no longer a need to maintain the RSR as it relates to the municipal bonds. The funds transferred from the surplus hydroelectric revenue to the CSIP/SVRP RSR are therefore available for other uses.

On June 19, 2012 the Water Resource Board of Supervisors authorized the use of \$1.5 million from the CSIP/SVRP RSR to assist financing completed emergency repairs at the Salinas River Diversion Facility. After this the balance remaining was \$2.0 million. The current balance is \$1.5 million which is not included as a budgeted financing source in the Agencies upcoming Fiscal Year 2014-15 Adopted budget making this funding source available and appropriate for the agency to utilize for costs associated with the Interlake Tunnel project.