



County of Monterey

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

Legislation Details (With Board Report)

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On agenda:	9/30/2014	Final action:	9/30/2014
Title:	a. Receive a report from the Monterey Peninsula Regional Water Authority (Authority) regarding the Authority's request for additional funding and participation by the County, and the Authority's strategic plan, budget, and anticipated future expenses; and b. Provide direction regarding the County's participation in and funding of the Authority.		

Sponsors:

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Attachments: 1. Exhibit A, 2. Exhibit B, 3. Exhibit C, 4. Exhibit D, 5. Completed Board Order

Date	Ver.	Action By	Action	Result
9/30/2014	1	Board of Supervisors	approved	Pass

- a. Receive a report from the Monterey Peninsula Regional Water Authority (Authority) regarding the Authority's request for additional funding and participation by the County, and the Authority's strategic plan, budget, and anticipated future expenses; and
b. Provide direction regarding the County's participation in and funding of the Authority.

RECOMMENDATION:

It is recommended that the Board of Supervisors:

- Receive a report from the Monterey Peninsula Regional Water Authority (Authority) regarding the Authority's request for additional funding and participation by the County, and the Authority's strategic plan, budget, and anticipated future expenses; and
- Provide direction regarding the County's participation in and funding of the Authority.

SUMMARY:

Monterey County is a non-voting member of the Monterey Peninsula Regional Water Authority (Authority). To date the County has authorized payments in the amount of \$92,281 to the Authority. The Authority seeks additional funding and a commitment of future funding and participation from the County. Although \$153,000 was included in the County's FY14-15 budget for Authority participation, the Authority's past, current, and future funding requests to the County significantly exceed that amount. During the Board's June 10, 2014 budget hearings, Supervisor Dave Potter requested that the Authority provide a report to the Board regarding the Authority's requests which would include a presentation on the Authority's strategic plan, budget and anticipated future expenses. The Authority's Executive Director, Jim Cullem, will provide this report.

Additionally, this report seeks Board direction regarding the County's current and future financial participation, and representation as a voting member of the Authority

DISCUSSION:

The Monterey Peninsula Regional Water Authority (Authority) was formed in February 2012 by the Monterey

Peninsula cities to ensure the timely development, financing, construction, operation, repair, and maintenance of one or more water projects; and to ensure that the governance of such water projects includes representation that is directly accountable to water users.

The Authority was formed due to concerns regarding severe and increasing restrictions as a result of the California Water Resources Control Board cease and desist order limiting pumping by the California American Water Company (Cal-Am) in the Carmel Valley Groundwater Basin, and a judicial order limiting pumping in the Seaside Groundwater Basin. Cal-Am has been pursuing a regional desalination project to provide additional water to its customers.

Since 34% of total water consumption in the Cal-Am Monterey Peninsula service area takes place within the unincorporated areas of Pebble Beach and Carmel Valley, as well as unincorporated areas near the cities of Monterey and Carmel, the Authority invited the County to become a member.

In recognition of the Authority's efforts on behalf of County residents, the Board approved a pro-rata contribution of \$83,300 to the Authority on September 11, 2012, based on the Authority's FY 2012-13 budget of \$245,245. On April 22, 2014, the Board approved the transfer of funds from General Fund Contingencies to make this payment.

The Authority subsequently increased its FY 2012-13 budget to \$476,726. The budget increase was due to the hiring of a part-time Executive Director and a contract for expanded Attorney of Record expenses in support of Authority's participation in the California Public Utilities Commission (CPUC) settlement negotiations on Cal-Am's application A. 12-04-019 for a Monterey Peninsula Water Supply Project.

The Authority's FY 2013-14 adopted budget is \$423,680.

The Authority requests that the County provide additional funding to the Authority based upon the County's pro-rata share of cost of 34%. The additional funding requested is \$78,700 for FY 2012-13, \$144,051 for FY 2013-14, and \$155,951 for FY 2014-15.

Additionally, the Authority entered into a contract with Separation Processes Inc. (SPI) for engineering consultation services on behalf of the Authority, Monterey Peninsula Water Management District, and Monterey County (the three public members of the Authority's Governance Committee) relating to Cal-Am's interview and selection process for the Monterey Peninsula Water Supply Project design-build contractor. The County's pro-rata share of cost for this contract is \$9,281, which was paid in August 2014.

The Board included \$153,000 in its FY 2014-15 budget for Authority membership. However, the amount requested by the Authority to bring the County current is \$387,983, which leaves a shortfall of \$234,983. In the current budget, with the exception of the \$9,281 paid to the Authority for the SPI contract, no other payments have been authorized pending direction from the Board following receipt of today's report.

The Authority's estimated budget for fiscal years FY15-16, and FY16-17 is \$450,000 per year. The County's pro-rata share (34%) is estimated to be \$153,000 per year during that time period. It is important to note that these projections are only estimates. Approximately 50% of the Authority's budgets have been consumed by their legal counsel and contracted special counsel (Counsel of Record). Legal expenses have been difficult to predict as the Authority is responding to requests and requirements from the California Public Utility Commission (CPUC) administrative law judge overseeing the Cal-Am application for the Monterey Peninsula Water Supply Project (MPWSP), and to unforeseen requirements in responding to other legal challenges.

Staff seeks direction regarding the County's continued participation in the Authority, and if continued participation is directed staff seeks direction on future funding for Authority activities.

OTHER AGENCY INVOLVEMENT:

Development of this report was coordinated with County Counsel. The Monterey Peninsula Regional Water Authority contributed information included in this report, and the Authority's Executive Director, Jim Cullem, will be presenting the report.

FINANCING:

The FY14-15 budget includes \$153,000 for Authority membership, and the Authority is seeking additional funding of \$234,983 this fiscal year. If the Board selects to participate in the Authority, there will be an impact to the General Fund of up to \$234,983 and this action would require staff to acquire funds from another program and return to the Board for approval at a later date. The Authority estimates the County's pro-rata share in FY15-16 and FY16-17 to be \$153,000 per year. Funding for future years costs will be prioritized as budgets are formed.

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Approved by:

Nicholas E. Chiulos
Assistant County Administrative Officer

Attachments:

Exhibit A Chart of Authorized Payments and Requested Funding
Exhibit B 9/12/14 Letter from Monterey Peninsula Regional Water Authority
Exhibit C 1/6/14 Letter from Monterey Peninsula Regional Water Authority
Exhibit D 9/30/14 Power Point Presentation by the Monterey Peninsula Regional Water Authority to the Monterey County Board of Supervisors