



MINUTES
of the Budget Workshop
Monterey Regional Water Pollution Control Agency
Board of Directors
June 16, 2003

1. CALL TO ORDER

The Regular Meeting of the Board of Directors of the Monterey Regional Water Pollution Control Agency was Called to Order by Chair Shirrel at 7:00 p.m. on Monday, June 16, 2003, in the Board Room of the Administrative Offices at 5 Harris Court, Building D, in Ryan Ranch.

2. PLEDGE OF ALLEGIANCE

3. ROLL CALL

BOARD MEMBERS PRESENT:

Peggy Shirrel, Chair	Moss Landing County Sanitation District
Ramiro Cortez	Boronda County Sanitation District
Carlo Cortopassi	Castroville Service Area 14
Joe Russell [Alternate]	Del Rey Oaks
Charles Scholl [Alternate]	Marina Coast Water District
Theresa Canepa	Monterey
W.B. "Butch" Lindley	Monterey County
John Stidham [Alternate]	Pacific Grove
Janet Barnes [Alternate]	Salinas
David Pendergrass	Sand City
Darryl Choates	Seaside
Dewey J. Baird	U.S. Army - Ex-Officio

BOARD MEMBERS ABSENT:

Jack D. Barlich	Del Rey Oaks
Tom Moore	Marina Coast Water District
Morrie Fisher, Vice-Chair	Pacific Grove
Gloria De La Rosa	Salinas

STAFF PRESENT:

Keith Israel	General Manager
Robert Wellington	Legal Counsel
Tom Buell	Director of Finance
Bob Jaques	Director of Engineering Planning and Technology

Dan Mizerski	Director of Wastewater Facilities
John Tiernan	Director of Administrative Services
Kay Bardin	Finance Manager
Deborah Fortune	Executive Assistant
Lindsay Synstebly	Customer Service Representative
Mark Malanka	Operations and Maintenance Program Coordinator
Bob Holden	Reclamation Project Coordinator

OTHERS PRESENT: Bjorn Lundergard - City of Seaside - Public Works Department

AUDIENCE: 0

4. PUBLIC COMMENTS

[At 7:01 p.m., with no comments received, Chair Shirrel opened and closed Public Comments.]

5. COMMITTEE REPORTS AND RELATED ACTION ITEMS

A. BUDGET/PERSONNEL COMMITTEE

ACTION TAKEN: On a motion by Mrs. Canepa, seconded by Mr. Russell, the Board unanimously approved the Budget/Personnel Committee Minutes/Reports for Thursday, May 22 and June 5, 2003, which included the following recommendations:

- Creation in the organizational structure of a “Community Planning and Coordination Group” (or similar name) to include Engineering (Jaques)/Financial (Buell)/Outreach (Harris).
- Approval of the Johnson and Associates’ Operator salary changes and certification incentive recommendations, as follows:

SALARY RECOMMENDATIONS

POSTION	CERTIFICATION REQUIRED	OLD RANGE	PROPOSED RANGE	COMMENTS
Operations Manager	V	65	67	
Supervising Op	IV	53	58	
Shift Sup – GY *	III	---	55	Graveyard Shift
Shift Sup – 5/SS *	III	---	54	Swing and Split Shifts
Shift Sup – WD *	III	---	53	Weekend Day Shifts
Operator III	III	50	52	

Operator II	II	48	50	
Operator I	I	44	46	
Operator OIT	N/A	40	42	

* Requires 1 year commitment on designated shift.

AND,

CERTIFICATION INCENTIVE RECOMMENDATIONS **

- ** Grade IV Certification - 2 1/2% Premium (Maximum of 3 Years)
- ** Grade V Certification - 5% Ongoing Premium

** For obtaining certification higher than that required by position.

- **Update to the Community Relations Representative job description and approval of the Johnson and Associates' recommended 5% salary increase to the position, and change of title to Community Relations Specialist, with the understanding that the Agency would continue to review the position over the next six to twelve months.**

B. RECYCLED WATER STORAGE COMMITTEE

ACTION TAKEN: On a motion by Mrs. Canepa, seconded by Mr. Cortopassi, the Board unanimously approved the Recycled Water Storage Committee Minutes/Report for Thursday, June 5, 2003.

6. 2003/04 BUDGET SUMMARY

A. Budget Comments – General Manager

Mr. Israel reviewed the progress achievements from Fiscal Year 2002/03, which included: Same residential rate of \$9.30, plus city collection system charges for 12 years; successful reclamation; upcoming urban reclamation project; special projects (5-Year Capital Improvement Program ready on June 30); financial and cost refinements; ongoing community relations outreach; salt reduction activities; plant operations of an aging facility; succession planning; and organizational review.

Mr. Israel emphasized that MRWPCA's ongoing "regional approach" has resulted in success with our member entities all uniting to consider not only the individual, but more importantly, the larger regional issues.

Mr. Israel noted a published article from WEF that refers to a 2002 Little Rock, Arkansas, program called "Can the Grease." Over two years ago, MRWPCA developed and has shared its own award-winning grease program, "Put a Lid On It."

B. Staffing – Director of Finance

Mr. Buell reported an increase of 6.5 employees for Fiscal Year 2003/04. Which include:

3 regular full-time: Assistant General Manager, Administrative/RTP support, and a Safety Specialist; and,

3.5 temporary full-time: Lab/Source Control interns (2 half-time), painters (2), half-time Field Maintenance Worker and Liquid Waste Attendant, plus, the elimination of a half-time Finance Department Office Aide.

To an inquiry by Mrs. Barnes, Mrs. Shirrel explained that a couple months ago the Board-approved direction was that MRWPCA begin a search for an Assistant General Manager to run the day-to-day operation of the Agency, while the General Manager performs the increased workload of outside projects. Mrs. Shirrel noted that she and the General Manager continue to work closely with the hired consultant (Bob Murray and Associates) to finalize a job description and salary range. Mr. Israel reported that the final recommendations will be coming to the Board in August, but a placeholder will be established in the budget for this new position within the Agency.

C. O&M Expenditures – Finance Manager

Mrs. Bardin thanked each of the Agency's departments for taking time to review plans for the upcoming year in order to submit timely budget requests to the Finance Department. Specifically, Mrs. Bardin also thanked the Finance Department, who provides valuable information throughout the year to assist departments in developing the line items for their budgets.

Mrs. Bardin reported that the current 02/03 O&M Budget was \$11.98 million, with estimated expenditures at \$11.93 million, which is an estimated variance of only .4% under budget. Last year's audit (01/02) of the budget figures revealed being .6% under budget.

The proposed budget for 03/04 is \$1.5 million over 02/03. There will now be ten departments instead of 9, with the creation of a new Cogeneration Department. All power generation costs have been shifted and consolidated for 03/04, which will allow better tracking of costs. The increase of salaries and benefits for 6.5 new

staff, management and technical support, special services, property and liability insurance, chemical costs, major sandblasting and painting projects, expensive pump station work all contribute to this year's budget increase.

Mrs. Bardin showed a comparison from 94/95 to present, indicating that if the budget had simply increased by the CPI, the budget would be at \$15 million instead of the proposed \$13.4 million (\$1.6 million higher if adjusted to the CPI).

D. Reclamation – Finance Manager

In regard to the reclamation operating budgets, Mrs. Bardin reported that based on production of 13,900 acre fee of recycled water, the recycled water plant 03/04 budget is \$1.5 million, and the distribution system (with 6,200 acre feet of well water) is \$1.3 million. On June 15, the reclamation facility produced an all-time record amount of 20.7 million gallons of reclaimed water. As in the past, all O&M costs are reimbursed by Monterey County Water Resources Agency.

E. Capitalized Equipment – Director of Finance

Mr. Buell reported that this expenditure has been reduced to \$662,900 due to only purchasing one transfer switch instead of two, and moving the RTP control panels to CIP. Overall, this year's expenditures are approximately \$65,000 higher than in previous years due to the age of the facilities, but there is adequate funding available.

F. Capital Projects - Director of Finance/Operations and Maintenance Program Coordinator

Mr. Buell reported a project carryover from 02/03 as follows: Cogeneration upgrade, Admin office expansion, variable speed drive at the Salinas Pump Station (update to follow in July); and chemical feed system. Mr. Buell distributed a detailed capital projects summary prepared by Mr. Jaques, who will make a presentation at the June 30 Board meeting on the capital projects plan.

Mr. Buell reported that projects for 03/04 include: land outfall inspection man hole, brine waste disposal project, and emergency generators.

Mr. Malanka reported that MRWPCA has a mandate from EPA over the next five or six years to come into compliance with the new standards on emergency generators. The first project is anticipated at \$200,000 to replace the three oldest generators that cannot be cleaned up to meet the new EPA standards. There are two in Pacific Grove and one in Monterey. Then, concurrently with that project, a \$40,000 study will be performed on the other 19 generators in the field, to first see if we can clean them up without purchasing new units that would cost millions of dollars, or run them less and/or modify the units. The compliance must be met by

2012, but because of the enormity of the project, we must move forward to put a plan in place.

To an inquiry by Mr. Lindley, Mr. Mizerski reported that possible brine waste customers would basically include ground water cleanup sites like Monterra Ranch that's now transporting to Santa Cruz.

Mr. Buell noted that studies in the budget include: emergency generators; wastewater service area study; biosolids processing and disposal; odor control; coastal erosion at pump stations (Coral, Fountain, Reeside and Monterey (Ocean and Harbor House Condos), and Seaside); cost benefit studies at pump stations. Non-capital projects include: urban reclamation and filter loading rate study projects (in conjunction with MCWRA, mostly funded with grants, but with \$30,000 from each agency).

To an inquiry by Mr. Choates regarding the Wastewater Service Area Study, Mr. Jaques reported that an indepth presentation on this will be made to the Board in August. The function of the study is to see if there are any new areas close to the current MRWPCA service area boundaries – primarily around Salinas (north and south), as well as in the Castroville area, that are in need of sewer service and examine whether the cost and feasibility for those areas to be tied into the regional system. There are members on the MRWPCA Board already representing those geographical areas – Monterey County or the service areas.

Mr. Jaques confirmed to Mr. Lindley that the East Garrison projects are being considered. To an inquiry by Mr. Choates, Mr. Jaques responded that the tie-in could be either through the Main Garrison sewer system (already hooked into MRWPCA), or through another connection at a point where MRWPCA's system had the capacity to serve that location.

Mr. Jaques confirmed to Mr. Lindley that Rancho San Juan project is part of the proposed report.

G. Debt Service and Reserves – Director of Finance

Mr. Buell reported that the debt service is reduced for 03/04 due to bond refunding by approximately a million dollars (three-quarters to the general fund and a quarter to capital projects).

Mr. Buell reported that MRWPCA not only hasn't raised rates, but has created over the past 12 years adequate reserves (\$11 million), noting the General Fund (\$3.2 million), EPA Settlement Fund (\$4.5 million to be split through audit to Capital and General Funds); O&M Repair (\$1.6 million); Capitalized Equipment (\$1.2 million),

and the Capital Fund (\$1 million).

To an inquiry by Mr. Choates, Mr. Buell noted that the interest from the General Fund reserves is used to offset General Fund expenditures.

To an inquiry by Mr. Russell regarding what would be a prudent amount held in reserves, Mr. Buell noted that there is no set amount, but it's important for him to know the staff and departments, staying in line with their plans to meet the needs of the Agency, anticipating that the Five-Year Capital Projects Plan was being prepared for presentation to the Board (June 30, 2003).

To an inquiry by Mrs. Barnes who noted all local jurisdictions are having a tough financial time with the future looking grim, Mr. Buell noted that financial problems are not anticipated for the future at MRWPCA. With the exception of looking at rates next year, the Finance Department will continue to work closely with staff to anticipate and plan for the future.

Mr. Israel expanded that some special districts receive tax revenues, subject to the state budget. But, unlike the cities, our revenues are fee based, so things happening elsewhere don't directly impact MRWPCA. CASA will be doing a review in August on the topic of reserves, which is now a very pertinent issue. The last survey CASA did was 15 years ago, when reserves in the 10 to 20% range were fairly normal, but the exact amount varies between all districts. A few years ago the Little Hoover Commission looked at a lot of special districts. In many cases, districts haven't done a good job allocating what their reserves are for, so it's very important to identify that our \$11 million fund is for future capital needs. We also have to have the replacement fund to make sure that our infrastructure is replaced. It's recommended that a study be done periodically to show what is the appropriate amount needed. The study Mr. Jaques is doing on our long-term capital needs will help us determine exactly where we need to be in that regards.

H. Revenues – Director of Finance

Mr. Buell explained the components of arriving at a balanced budget: increase in O&M budget, change in carryover and interest, versus additional revenue, reduction in debt service, no transfer to O&M repair fund, and transfer from general fund reserves.

To an inquiry by Mr. Russell, Mr. Buell explained that the capacity charges fund is funded through any new hookups in the service area pays a capacity charge fee based on EDU's (Equivalent Dwelling Units) to buy into the regional system.

To an inquiry by Mr. Lindley, Mr. Malanka responded that our utility costs are about

Minutes

MRWPCA - Regular Meeting

June 16, 2003

Page 8

\$1.4 million electricity costs for the pump stations. Mr. Mizerski noted PG&E used to be about \$900,000. Mr. Buell noted that the Agency tries to use as much cogeneration in our facility, where \$50,000 is budgeted. Natural gas is blended with digester gas at the Regional Treatment Plant in Marina. Mr. Israel commented that if we didn't have cogeneration, PG&E cost would be about a million dollars more.

In a residential rate comparison of secondary facilities within the state of California, MRWPCA rates are lower than most similar facilities.

Mr. Buell reported that staff will continue to update the budget for 02/03 estimated year end, natural gas increases (\$25-\$45K), 03/04 non-significant updates and editing of the budget.

Mr. Buell thanked all departments for the team effort and knowledge they bring to putting together the budget for 03/04.

Mr. Buell thanked all staff for participation in the budget process and introduced Lindsay Synstebly, Customer Service Representative, and commended the great job she does in her department.

To an inquiry by Mr. Baird, Mr. Malanka responded that the percentage of the gas increase is because we're using more gas in our boilers. Mr. Mizerski noted there may be a 40% increase.

Mr. Scholl noted that over a five-year period there was a decrease in the budget, and since 01 there appears to be a 10% increase a year. Mrs. Bardin commented that the increase amounts to \$1.5 million budget increase this year. Mr. Israel noted that "catch-up" (i.e., painters hired) expenditures account for much of the increase.

Mr. Buell thanked Messrs. Russell and Lindley for noting typo changes needed on the draft budget pages.

Mrs. Barnes thanked staff for the hard work on the budget because the members sit on a lot of boards and committees and when you see efficiency and a surplus at this point, it's deserved. She thanked staff for decreasing the costs and making sure this happens and you're able to add some new positions as well.

Chair Shirrel thanked Mr. Buell and staff for the explanations and clear handouts that are easy to understand.

Mrs. Canepa noted that as usual, every year you do an outstanding job and it's the rest of the staff that has input, so please congratulate them.

I. Board Member Comments

On behalf of the City of Salinas, Mrs. Barnes expressed two concerns: (1) the inability of Salinas, which represents 60% of the MRWPCA rate payers, to be part of a committee because of the weighted vote, and, (2) the amount of Board pay for brief meetings, and the same pay for committee meetings.

After brief discussion, Mr. Wellington noted that committee attendance by a Salinas representative (6 weighted votes) could possibly establish more than a quorum (Brown Act violation) of the Board in attendance at a committee meeting unless the weighted votes of the other committee members was taken into account (so that the total weighted votes in attendance did not exceed eleven). Because this item was not on the agenda, Mr. Wellington recommended a motion if the Board wished to put this on a future agenda.

Following discussion regarding these matters, Chair Shirrel requested that staff place this item on a future agenda.

7. ADJOURNMENT

With no further business, the meeting adjourned at 8:33 p.m. to the next Regularly-Scheduled Board Meeting on Monday, June 30, 2003, at 7:00 p.m.

Keith E. Israel
General Manager/Secretary to the Board

Peggy Shirrel, Ph.D.
Chair of the Board of Directors

Date Passed: June 30, 2003