



MINUTES
of the Budget Workshop
Monterey Regional Water Pollution Control Agency
Board of Directors
June 14, 2004

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 Pendergrass at 7:00 p.m. on Monday, June 16, 2003, in the Conference Room of the Monterey Peninsula Water Management District Office Conference Room at 5 Harris Court, Building "G", in Ryan Ranch.

2. PLEDGE OF ALLEGIANCE

3. ROLL CALL

BOARD MEMBERS PRESENT:

David Pendergrass, Chair	Sand City
Ramiro Cortez	Boronda County Sanitation District
Charles Scholl	Marina Coast Water District
Theresa Canepa	Monterey
W.B. "Butch" Lindley	Monterey County
Morrie Fisher	Pacific Grove
Janet Barnes [Alternate]	Salinas
Darryl Choates	Seaside
Dewey J. Baird	U.S. Army - Ex-Officio

BOARD MEMBERS ABSENT:

Carlo Cortopassi	Castroville Service Area 14
Jack D. Barlich	Del Rey Oaks
Peggy Shirrel, Chair	Moss Landing County Sanitation District
Gloria De La Rosa, Vice-Chair	Salinas

STAFF PRESENT:

Keith Israel	General Manager
Robert Wellington	Legal Counsel
Tom Buell	Director of Finance
John Tiernan	Director of Administrative Services
Kay Bardin	Finance Manager
Deborah Fortune	Executive Assistant
Betty Nebb	Administrative Support Specialist II

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Lindsay Synstebly	Customer Service Supervisor
Kelly Cadiente	Accounting Supervisor
Mark Malanka	Operations and Maintenance Program Coordinator

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

AUDIENCE: 2

4. PUBLIC COMMENTS

[At 7:00 p.m., with no comments received, Chair Shirrel opened and closed Public Comments.]

5. COMMITTEE REPORTS AND RELATED ACTION ITEMS

A. RECYCLED WATER STORAGE COMMITTEE

ACTION TAKEN: On a motion by Mr. Choates, seconded by Mrs. Canepa, the Board unanimously approved the Recycled Water Storage Committee Minutes/Report for Thursday, June 3, 2004, which were informational only and included no recommendations.

B. BUDGET/PERSONNEL COMMITTEE

ACTION TAKEN: On a motion by Mrs. Canepa, seconded by Mr. Choates, the Board unanimously approved the Budget/Personnel Committee Minutes/Reports for Thursday, June 3, 2004, which included the following recommendations:

- In regard to Agency investments, that the Board approve that staff begin using CAMP (California Asset Management Program), effective July 1, 2004, on a one-year trial basis, with staff providing the committee periodic updates and a further recommendation for future fiscal years.
- That the Board approve, for the first time in 12 years, that MRWPCA raise its residential rate (effective September 1, 2004, to allow notification time to the ratepayers) from \$9.30 per month to \$9.70 per month (4.3% increase), allowing for a series of minimum annual rate increases over a number of years that will be less than 5% at any given time.

6. 2004/05 BUDGET SUMMARY

A. Budget Comments – General Manager

Mr. Israel reviewed the progress achievements from Fiscal Year 2003/04, which included:

- **MRWPCA Highlights**
 - Proposed 4.3% rate increase (\$0.40 per month), effective September

1, 2004

- **Reclamation**
 - Seventh year of successful reclamation operations without problems, producing 13,800 AF of recycled water
 - Since 1998, 21 billion gallons of recycled water produced for agricultural irrigation, within budget
- **Urban Reclamation**
 - Continued planning for a Joint Urban Recycled Water Project with the Marina Coast Water District
- **Projects**
 - Implementation of the Five-Year Capital Improvement Program
 - Completion of the Salinas Variable Frequency Drive (VFD) Project
 - Near completion of the Administrative Office additions
- **Financial and Cost Refinement**
 - Continued low MBUAPCD permit fees
- **Community Relations**
 - Ongoing emphasis on school presentations, interactive exhibit displays, tours, and visitors from other countries
 - Partnerships with local entities, including Pacific Grove grease inspections, Pacific Grove and Seaside County Sanitation District Residential Grease Reduction Program, and the Regional Storm Water Program
- **Salt Reduction Activities**
 - Ongoing sampling for the American Water Works Association Research Foundation Salt Study
 - Continued water softener salt reduction efforts focusing on potassium chloride substitution
- **Plant Operations**
 - No reportable spills
 - Good year of plant operating experience, including near perfect compliance with major permit requirements
- **Succession Planning**
 - Creation of additional supervisory and lead positions to prepare for increased employee retirements over the next few years
- **Organizational Review**
 - Addition of Assistant General Manager to focus on day-to-day activities
 - Streamlined and clearer organizational structure
 - Added a “Special Projects Group” for identifying new opportunities

B. Staffing – Director of Finance

Mr. Buell reported an overall decrease of 1.1 employees for Fiscal Year 2004/05.

C. O&M Expenditures – Finance Manager

Mrs. Bardin thanked staff at all levels for their assistance in preparing the budget information. During the budget process, staff in the Finance Department assist in development of the department budgets, provide information and consolidate all those individual budgets into the proposed budget presented to the Board. The Finance Department has been moved several times, continuing work without complaints in anticipation of moving into the new wing of the Admin building.

At the end of 2002/03, following the audit, we were only \$50,000 off target (4/10ths of one percent under the budget). It is estimated for 2003/04 expenditures will be about \$13,008,000, which is considerably under budget at the end of fiscal year (\$660,550). The savings can be attributed to savings from positions included in the budget but not filled right away in the new fiscal year.

There is a \$98,000 decrease from 2003/04 budget. Even though there are increases in salaries (step increases), benefits (PERS contributions gone up, but medical will decrease), and information systems expenses, there were decreases in office expenses, professional services, chemicals and utilities (\$80,000 less). If MRWPCA's budget back as far as 1994/95 were compared to the annual CPI, the budget would be about \$1.5 million higher than proposed today.

D. Reclamation – Finance Manager

Mrs. Bardin reported a water production for 2003/04 is on a record-setting pace up through the end of May. The previous record recycled water production year was Fiscal Year 2001/02 at 13,237 acre feet.

The recycled water plant will likely produce over 13,000 acre feet of recycled water and is right at budget. The distribution system is anticipated to deliver 14,100 acre feet of recycled water and 6,600 acre feet of well water and is just under budget.

All Recycled Water Plant and Distribution System O&M costs are reimbursed by Monterey County Water Resources Agency, based on anticipated production in the coming year.

To an inquiry by Mr. Lindley, Mr. Malanka responded that all wells are owned by Monterey County Water Resources Agency.

E. Capitalized Equipment – Director of Finance

Mr. Buell reported that there are 29 items totaling \$582,700, which is down from \$850,000 last year. The key piece of equipment is a Mass Spectrometer for the lab at the Regional Treatment Plant. This fund will have a starting balance of \$1.5 million again this year.

F. Capital Projects - Director of Finance and Assistant General Manager

Mr. Buell reported the two key capital projects are Biosolids – Screw Presses and Co-Generation Study. Non-capital projects are Urban Reclamation and Filter Loading Rate Project.

To an inquiry by Chair Pendergrass, Mr. Heitzman explained that the reason for the Reverse Osmosis (RO)/Desalination unit listed for purchase next year is because the machinery at the plant is designed to be run with potable water and the water at the plant is high in TDS that will be removed by the RO unit, and then the water blended back to get a lower number to protect the equipment.

Mr. Heitzman reported that there are two large CIP projects for the coming year.

The first is the Biosolids Project which will allow use of full plant capacity with the ability to handle all the sludge that comes from the facility. This project is estimated to cost about \$3 million using a new technology called “Screw Presses” that can also produce “Class A” sludge. A number of years ago, the same project was estimated at \$10 to \$15 million using belt press technology.

The existing dewatering components are two lagoons; 40 drying beds, one old belt filter press (recycled from Marina Coast Water District about 10 years ago), moving equipment (tractors, barge). The disadvantages with the existing facility include being at near processing capacity, expensive equipment, weather dependent, and high O&M.

The new project components would take the plant up to 29 MGD and include three FKC stainless steel Screw Presses, a metal building on a concrete slab to protect the operators from the weather, automated truck/bin loading area (20 loads to the landfill at present, down to one or two big trailers), and video monitoring for viewing from the SCADA controls. Screw presses are being installed in Fairfield, Camarillo, and the State of Florida. This process will greatly reduce the weight of sludge (and disposal cost) sent to the landfill.

And the second project is tied into future upgrade of the Cogeneration Facility operations budgeted for \$300,000 for pre-design for 2004/05. This aging facility

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would be upgraded in capacity and generate more revenue (\$1,000 a day) at the same time. Thus, the goals are to be electrical independent from the utility company, upgrade facility capacity and generate revenue.

There were positive comments from the Board on both of the highlighted capital projects anticipated for the Regional Treatment Plant.

G. Debt Service and Reserves – Director of Finance

Mr. Buell reported that MRWPCA is in good shape, with debt service steady at \$1.9 million for the next four years, and then it will start declining. The bond refunding last year helped take advantage of the best interest rates.

H. Investments – Director of Finance

Mr. Buell reported that one of the goals at the Board's Strategic Planning Workshop was for staff to investigate other safe investments that could bring a better yield than LAIF.

At their last meeting (Minutes/Report of June 3 approved tonight), the Budget/Personnel Committee recommended using California Asset Management Program (CAMP), effective July 1, 2004, on a one-year trial basis.

At present, LAIF is at approximately 1 ½%, and it is anticipated that switching to CAMP will yield between 2 ½% and 3% for the coming year.

I. Revenues – Director of Finance

Mr. Buell reported that this year there is a decrease in the O&M Budget of \$98,505, and Reserves of \$640,000. Then to balance the budget, User Fees (with a rate increase to replenish reserves) are \$484,769, Investments are \$100,000, and Other Revenue is \$153,736.

Reserves and funds are kept at \$13-\$15 million, but have been used over the last two years to balance the budget, with the last user fee increase in 1992/93. September 1 instead of July 1 was chosen for a rate increase to allow time for public notification and input.

There were comments by the Board regarding how the prepayment process would be affected in the projected rate increase and the level of MRWPCA reserves.

In comparison of user fees, even with the proposed increase, MRWPCA is still below the residential rate averages throughout the state.

Mr. Buell reported that the budget process is a "team effort" by all departments and

employees.

J. Board Member Comments

There were positive comments from the Board for staff's preparation of clear budget materials and presentation.

7. ADJOURNMENT

With no further business, the meeting adjourned at 8:13 p.m. to the next Regularly-Scheduled Board Meeting at the Regional Treatment Plant in Marina on Monday, June 28, 2004, beginning at 5:00 p.m. with tours, dinner for the Board at 6:00 p.m., and the meeting at 7:00 p.m.

Keith E. Israel
General Manager/Secretary to the Board

Dave Pendergrass
Chair of the Board of Directors

Date Passed: June 28, 2004