



MINUTES
Of the Budget Workshop
Monterey Regional Water Pollution Control Agency
Board of Directors
June 5, 2006

1. CALL TO ORDER

The Budget Workshop of the Board of Directors of the Monterey Regional Water Pollution Control Agency was Called to Order by Chair Shirrel at 7:05 p.m., on Monday, June 5, 2006, in the Board Room at 5 Harris Court, Bldg. D, Monterey, California.

2. PLEDGE OF ALLEGIANCE

3. ROLL CALL

BOARD MEMBERS PRESENT:

Peggy Shirrel, Chair
Joe Russell, Vice Chair
Ramiro Cortez
Kenneth Nishi
Jeff Haferman
W.B. "Butch" Lindley
Dan Cort
David Pendergrass
Dewey Baird

Moss Landing County Sanitation District
Del Rey Oaks
Boronda County Sanitation District
Marina Coast Water District
Monterey
Monterey County [arrived 7:08 p.m.]
Pacific Grove
Sand City
US Army

BOARD MEMBERS ABSENT:

Carlo Cortopassi
Gloria De La Rosa
Darryl Choates

Castroville Service Area 14
Salinas
Seaside

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STAFF PRESENT:

| | |
|---------------------|--------------------------------------|
| Keith Israel | General Manager |
| Jim Heitzman | Assistant General Manager |
| Rob Wellington | Legal Counsel |
| Tom Buell | Director of Finance |
| John Tiernan | Director of Administrative Services |
| Kelly Cadiente | Accounting Supervisor |
| Lindsay Synstebly | Customer Service Supervisor |
| Lonnie Frederickson | Administrative Support Specialist II |
| Betty Nebb | Executive Assistant |

OTHERS PRESENT:

| | |
|--------------|-----------------------------|
| Carl Niizawa | City of Salinas |
| Marc Lucca | Marina Coast Water District |

AUDIENCE: 2

4. PUBLIC COMMENTS

At 7:07 p.m., with no comments received, Chair Shirrel opened and closed Public Comments.

Chair Shirrel called attention to the new ***2006 Monterey Regional Water Pollution Control Agency Board of Directors Manual*** and invited comments, changes, and/or questions at the next Board Meeting. She also referenced additional documents available upon request.

5. COMMITTEE REPORTS AND RELATED ACTION ITEMS

A. BUDGET/PERSONNEL COMMITTEE

1. Receive and Approve Committee Minutes/Report Thursday, May 25, 2006

ACTION TAKEN: On a motion by Mr. Pendergrass, seconded by Mr. Lindley, the Board unanimously approved the Budget/Personnel Committee Minutes/Report for Thursday, May 25, 2006, with the following recommendation:

- That the Board approve notification plans for proposed user rate increase of 3.1% commencing in August 2006.

6. 2006/2007 BUDGET SUMMARY

A. Budget Comments - General Manager

Mr. Israel reviewed the progress/achievements from Fiscal Year 2005/06, which included:

➤ **MRWPCA Highlights**

- Proposed rate increase of only 3.1%
- Only two rate increases over the past fourteen years; last one 4.3%
- Residential rate increase from \$9.70 to \$10.00 effective August 2006

➤ **Reclamation**

- Ninth year of successful reclamation operations producing 11,000 acre feet of recycled water
- Since 1998, 30 billion gallons of recycled water produced within budget for agricultural irrigation

➤ **Urban Reclamation**

- Joint Urban Recycling Project with Marina Coast Water District scheduled to come online 2008
- Ground Water Recharge on fast-track
- Regional Water Planning moving forward with recommendations being brought to Leadership Committee in the near future
- Continued investigation of opportunities to partner with other entities to reuse currently wasted winter water

➤ **Key Projects**

- Biosolids
- Cogeneration
- Full Equalization Project with the City of Salinas

➤ **Financial and Cost Refinement**

- Implemented work scheduling program to enhance preventive and predictive maintenance
- Working with Regional Board on updated permit that will allow discharge of brine with increased dilution to facilitate additional brine import/export without impacting recycled water

➤ **Community Relations**

- Ongoing emphasis on school presentations, interactive exhibit displays, increased plant tours and visitors from other countries
- Continued conceptual work on Recycled Water Visitor Center

➤ **Salt/Grease Reduction Activities**

- Increased cost-effectiveness and expanded partnerships with local entities on Residential Grease Program
- Focus on brine and salt reduction education
- Achieved 10% reduction in salt level coming into our plant and recycled water

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- **Planning**
 - Serving as Coordinator for the Monterey Peninsula Regional Storm Water Group in efforts to get approval by Regional Board for Regional Storm Water Plan
- **Plant Operations**
 - No reportable spills
 - Plant operations remain in permanent compliance
- **Safety**
 - Awarded CWEA's Best in State Safety Award
 - Savings of \$75K/year for Workers' Comp Claims
- **Succession Planning**
 - Updated information and recommendations to be provided to Committee and full Board over next couple of months
- **Organizational Review**
 - Ongoing success of General Manager as Assistant General Manger focuses on day-to-day activities
 - Improved and ongoing coordination between Administration and Regional Treatment Plant
 - Design of streamlined Organization Chart to be completed in the near future
- **Special Project Group Success**
 - Continued MRWPCA operation of Salinas Industrial Ponds which has evolved into a revenue source

Mr. Israel credited a portion of the Agency's success to the work done with Marilyn Snider at the Strategic Planning Session. The outcome of the session set the direction to ensure staff's work ties to the goals set by the Board.

B. O&M Expenditures/Revenues - Director of Administrative Services

Mr. Tiernan provided a presentation on the Proposed 2006/07 Fiscal Year Budget which, upon Board approval at the June 26 Board meeting, will become effective July 1, 2006. Mr. Tiernan called attention to changes (since the Budget/Personnel meeting of May 25) in reserve transfers, and maintenance and supplies but stressed the bottom-line did not change. He thanked Kelly Cadiente, Accounting Supervisor, and Lindsey Synstebly, Customer Service Supervisor, for their outstanding effort in preparation of the budget.

Mr. Tiernan highlighted the Budget by reviewing:

- **Agency Budget** (tied to Strategic Goals)
- **Rates** (recommending \$.30 per month increase FY 06/07)
- **Revenues** (reduction due to grease hauling to Fresno; increase due to Fort Ord revenue and rate increase)
- **Expenses**
 - **Increased Salary/Benefits** (COLA, step increase, benefit cost)
 - **Decreased Chemical Costs** (less expensive brands and more frugal use over the past years)
 - **Utilities** (maintained level over the past years)
 - **Decreased Staffing** (reductions to staff were primarily Operator, Director and Management positions over the past years)
 - **Increased Certifications** (increasing numbers of staff hold multiple certifications)
- **General Fund** (transferring \$700K from General Fund to cover Urban Reclamation and \$500K for Major O&M Repair projects such as painting, paving, etc.)
 - **Salinas Valley Reclamation Project**
 - ✓ Inside - treat water to the tertiary level (receiving \$2.4 million from County which, if not needed, is returned)
 - ✓ Outside - distribution (receiving \$1.5 million from County to distribute water to ag land)
 - ✓ Next year's budget is based on the obligation to produce 13,850 acre feet of water combined with 7,200 acre feet of well water

C. Reserves/Fund Balance – Director of Administrative Services

- **General Fund Reserves** (begin new fiscal year with \$7.3 million; end with \$5.8 million)
- **O&M Repair Fund** (major repairs placed in this fund)
- **Capital Project Fund** (restricted funds capacity fee increasing at end of next year due to securing \$10 million bond)

D. Multi-Year Projections – Director of Administrative Services

- **Projections** (Rate increase coupled with reserves, loan of \$10 million, and rate stabilization projected to achieve soft landing reserve level of \$3 million by 2010)

E. Capital Projects – Assistant General Manager

Mr. Heitzman reviewed:

➤ **Capital Projects**

- **Co-Gen** (Board approval for \$80K for a study this year; approximately \$400,000 requested for design. Consultant suggested investigating a partnership with landfills for extra electricity; MRWMD landfill Board recently approved \$20K to determine feasibility of partnership)
- **Roofing Repair** (\$370K for on-going repair at RTP due to corroded roofing material used during initial building phase)
- **Seaside Pump Station** (\$30K for visual barrier wall to improve aesthetics)
- **Biosolids** (\$4 million estimate for engineering plus previously purchased screw presses at approximately \$1 million to provide supply protection for master pipeline in Castroville section. Hope to break into two phases of smaller projects to fit scope of work provided by local companies)
- **EQ Basins** (adjust flow of pump stations to regulate between lower and peak demand periods -- \$500K for short-term solution; \$10-15 million over the next few years for long-term solution)
- **Salinas Pump Station** (\$800K capacity/design enhancement)
- **Seaside Pumps** (purchased new pumps; complex installation knowledge, equipment and safety standards requires expert installers)
- **Sludge Pumps** (installed primary sludge pumps in-house; however, complex installation knowledge, equipment and safety standards require expert installers for balance)
- **Roofing Project** (leaks led to mold which cost approximately \$8.5K to correct through demolition and reconstruction. Necessary roof repair is continuing)
- **Thickener pumps** (sludge doesn't move at consistent rate; primary pumps repaired and working well)

F. Debt Service – Director of Finance

Mr. Buell reviewed:

➤ **Investments**

- Most reserves have been moved to California Asset Management Program (CAMP) which is governed by government agencies throughout CA.

- ✓ CAMP negotiates better rates on behalf of smaller agencies and currently pays 4.92% vs. LAIF's current rate of 4%
- ✓ Investments with CAMP have been spread between nine months and two years and projected gains on these investments is about \$86K

➤ **Debt**

- **Proposing to borrow \$10 million to stabilize rates** (at a cost of approximately \$225-\$250K plus interest)
 - ✓ Actual debt payments initially increase about \$400K; \$300K via General Fund; \$100K via Capacity Fees
 - ✓ Annual payments remain steady, but term will extend to cover additional \$10 million debt issue
 - ✓ Majority of costs are for legal and administration of loan
 - ✓ Negotiated fee of less than one percent (\$80K) regardless of loan amount of \$8 or \$10 million
- Maintain reserves to qualify for a better borrowing interest rate (estimated at 4.46% average rate fixed for 20 years)
- Improve Agency ratings for future borrowing
- Ensure new users included in debt payback via capacity fees
- Staff will provide Board with final numbers and recommendation on annual payments in July

7. BOARD MEMBER COMMENTS

Mr. Nishi questioned the strategy of borrowing money vs. drawing down reserves and Mr. Israel referenced a situation illustrating, hypothetically, a cost of 4.5% to borrow funds with a return of over 5% for Public Agency funds placed with a bank.

Mr. Tiernan reiterated projections showing, even if the Agency raised rates a small amount each year, by 2010 reserves would be at \$3 million or less. He advised a 25% reserve policy (or three months' operating expense) would be \$4 million; adding \$5-\$6 million of capital projects this year would draw reserves down by \$6 million for the current fiscal year.

Mr. Nishi again suggested he was uncomfortable with borrowing money and would rather raise rates. He expressed concern about how the Agency would fund an emergency if \$10 million in debt were incurred.

Mr. Pendergrass expressed his complete agreement with staff recommendations. He said this budget is the best he's seen as it provides details showing good balance of public perception, financial needs, and project needs.

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Mr. Russell agreed the presentation was excellent but said he appreciates Mr. Nishi's concerns. He expressed concerns about the ability to balance the budget without the use of transfers from reserves and prior year carryovers. Mr. Tiernan stated his optimism that, through wise financial management, reserves won't be needed.

Mrs. Shirrel stated her opinion that it is necessary to maintain a large reserve saying that the current funding of bonds and loans works toward the Agency's advantage.

Mr. Lindley asked about other outstanding loans for the County and Mr. Tiernan answered that they are reflected in the budget and said, although the SVRP loans are Agency loans, they are paid by the County.

Mr. Nishi asked for a breakdown of the portion of restricted funds and Mr. Tiernan indicated he will provide that information.

Mr. Lindley requested staff analyze why the Agency was able to go for such a long period of time with no rate increases. Additionally he would like a determination about future trends.

Mrs. Shirrel cautioned a Public Agency is not in the business of making money but, rather, serving the people at a prudent cost.

Mr. Israel indicated staff would prepare further information for presentation at the upcoming Budget and Personnel Committee meeting.

[With no further discussion, Chair Shirrel adjourned Open Session at 8:00 p.m. indicating that Closed Session would begin in 15 minutes.]

8. CLOSED SESSION

A. PERSONNEL MATTER

1. Public Employee Performance Evaluation: General Manager

[Following Closed Session Legal Counsel Wellington reported that the Board conducted the performance evaluation of the General Manager and voted unanimously to:

- a) retain the General Manager in his present position; and
- b) conduct another performance evaluation in one year; and

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- c) bring further information and a proposal regarding compensation for the General and Assistant General Managers back to the Budget and Personnel Committee for consideration and then to the full Board for action.]

There being no further business, Chair Shirrel adjourned the meeting at 8:55 p.m. to the next Regularly Scheduled Board Meeting in the Board Room at 5 Harris Court, Building D, on Monday, June 26, 2006 at 7:00 p.m.

Keith E. Israel, General Manager
Secretary to the Board

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