



APPROVED
June 25, 2007

MINUTES
Of the Budget Workshop for
Monterey Regional Water Pollution Control Agency
Board of Directors
June 11, 2007

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 Russell at 7:03 p.m., on Monday, June 11, 2007, in the Board Room at 5 Harris Court, Bldg. D, Monterey, California.

2. PLEDGE OF ALLEGIANCE

Vice Chair Pendergrass led the Pledge of Allegiance.

3. ROLL CALL

BOARD MEMBERS PRESENT:

Joe Russell, Chair	Del Rey Oaks
Dave Pendergrass, Vice Chair	Sand City
Ramiro Cortez	Boronda County Sanitation District
David Lewis	Castroville Water District
Kenneth Nishi	Marina Coast Water District
Lou Calcagno	Monterey County [arrived 7:03 p.m.]
Scott Miller	Pacific Grove, Alternante
Steve Bloomer	Seaside
Dewey Baird	US Army

BOARD MEMBERS ABSENT:

Jeff Haferman	Monterey
Gage Dayton	Moss Landing County Sanitation District
Gloria De La Rosa	Salinas

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STAFF PRESENT:

Keith Israel	General Manager
Jim Heitzman	Assistant General Manager
Ken Buchert	Legal Counsel
Tom Buell	Director of Finance
John Tiernan	Director of Administrative Services
Kelly Cadiente	Accounting Supervisor
Lindsay Synstebly	Customer Service Supervisor
Betty Nebb	Executive Assistant

OTHERS PRESENT:

Bjorn Lundegard	City of Seaside
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AUDIENCE: 0

4. PUBLIC COMMENTS

At 7:03 p.m., with no comments received, Chair Russell opened and closed Public Comments.

Chair Russell introduced Mr. Scott Miller, Alternate for Pacific Grove, serving on behalf for Mayor Cort.

5. COMMITTEE REPORTS AND RELATED ACTION ITEMS

A. BUDGET/PERSONNEL COMMITTEE

1. Receive and Approve Committee Minutes/Report Thursday, May 31, 2007.

ACTION TAKEN: On a motion by Mr. Pendergrass, seconded by Mr. Lewis, the Board unanimously approved the Budget/Personnel Committee Minutes/Report for Thursday, May 31, 2007, with the following recommendation:

- That the Board approve notification plans for proposed user rate increase of 7.5% commencing in August 2007.
- That the Board approve billing of Indirect Costs for the Storm Water Program, per staff recommendations.

6. 2007/2008 BUDGET SUMMARY

A. Budget Comments - General Manager

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Mr. Israel reviewed the progress/achievements from Fiscal Year 2006/07, which included:

➤ **Fiscal Year Achievements**

- CAFR Award two years in a row – 2005 and 2006
- Only the third rate increase over the past fourteen years
- Proposed residential rate increase from \$10.00 to \$10.75 effective August 2007

➤ **Reclamation**

- Tenth year of successful reclamation operations
- Project 13,000+ AF of recycled water production for FY 07/08
- Since 1998, 31 billion gallons of recycled water produced for agricultural irrigation
- Successful AG WaterReuse Conference in Santa Rosa (October 2006)
- Next WaterReuse AG Conference in Monterey (Fall 2007)
- E. coli outbreak resulted in NO STORY for CNN on MRWPCA recycled water

➤ **Urban Reclamation**

- Continuing progress on negotiation with Marina Coast Water District for implementation of Joint Urban Recycled Water Project
- Project should be online by Fall 2008 or Spring 2009

➤ **Replenishment Project**

- Independent Advisory Panel formed
- Project receiving priority emphasis
- Three consultants helping with planning and design
- 44 participants to Orange County over past 2+ years

➤ **Regional Water Planning**

- Monterey Bay Region Water Summit – January 2007
 - Coordinate approach for Federal assistance
 - Assign regional priorities
- Regional Water Leadership Group MOU nearly complete
- Rate Payer Advocate process has developed an alternate group of local projects to compare to Cal-Am Coastal Desal Project

➤ **Projects**

- Ongoing emphasis implementation of Capital Projects to keep facilities reliable
- Progress on critical improvement projects such as biosolids, cogenerations, and Salinas flow equalization
- Approved 10-year Coating Management Program
- Pipeline Pigging Program has increased interceptor capacity

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- Obtained State Phase I approval for Tertiary Filter Loading Project
- Scheduled to receive Monterey County Use Permit (to 29.6 MGD) in July 2007
- **Financial and Cost Refinement**
 - Continued use of RJN Work Order Program to reduce repair costs and anticipate equipment failures
 - Potential for substantial increases in brine deliveries due to pending updated ocean discharge permit
- **Community Relations**
 - State recognition from CWEA for 2006 Outreach Program
 - Ongoing emphasis on school presentations, interactive exhibit displays, plant tours and foreign visitors
 - Planning ongoing for recycled water visitor center at RTP
 - Debut of Wally the Water Drop
 - Partnerships with all of our member entities for the Residential Grease Reduction Program
- **Salt Reduction Activities**
 - Continued water softener salt reduction efforts
 - About 10% Salt Reduction due to hauling brine
 - Success of Brine Pond Project
- **Plant Operations**
 - Another year of reliability at pump stations, resulting in no reportable spills
 - Full compliance with major permit requirements
 - Recycled water will hit a record production this year
- **Safety**
 - Local Hazard Mitigation Plan approved by State and FEMA
 - Developing Safety Analysis for jobs that pose greatest hazards
- **Succession Planning**
 - Career growth for accounting and engineering positions
 - “Grow Our Own” Wastewater Operators
 - Record number of Local Section CWEA Awards presented
 - Longevity Pay Program ready for final consideration
- **Organizational Review**
 - Assistant General Manger continues focus on day-to-day operational activities
 - Streamlined and clearer organizational structure
 - Addition of Maintenance Manager
- **Special Project Group Success**
 - Salinas Industrial Pond Operation

- Regional Storm Water Assistance/Coordination
- **Board of Directors**
 - Board Resolution Review Committee established
 - Successful Strategic Planning Workshop in April 2007

B. Rates/Rate Model - Director of Administrative Services

Mr. Tiernan presented the Proposed Budget for FY 2007/08 for final review before Board approval at the June 25 meeting. At the May 31 meeting, the Budget/Personnel Committee approved preparing a notice to be sent to users 45 days in advance as required by Prop 218 regarding the rate increase. He introduced and expressed appreciation to Kelly Cadiente, Accounting Supervisor, for her efforts in preparing the budget and Lindsey Synstebly, Customer Service Supervisor, for coordinating the additional work of notifying 55,000 customers of the user fee increase.

Mr. Tiernan highlighted the Budget by reviewing:

- **Rate Model Update Objectives to determine adequate funds for**
 - O&M Expenditures
 - Selected Capital Expenditures
 - Debt Services Payments
 - Debt Service Covenant
 - Maintain Competitive Rates
- **Debt Ratio Summary**
 - Target coverage is 1.25 for debt ratio
 - This fiscal year will be 1.30 – very close
 - Project for 2007/08 Budget is 1.37 – with the rate increase of 7.5%
- **Projected 10-Year Debt Payment**
 - Debt payment will go down – assuming no new debt is incurred
- **Residential User Rates**
 - For 12 years, rates were not increased (1992 – 2004)
 - Over 16 years rates were increased total 15% - less that 1% per year
- **Statewide User Rate Averages**
 - Rate Model compares our rates with others
 - Compare very fairly with other agencies
 - Fresno over next 5 years will see increases of 73% increases
 - Modesto over next 5 years will raise rates 92%
- **Summary of Rate Model**
 - Illustration of revenues, expenditures, and reserves

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- 3% rate increase each year over ten years, we meet all obligations (excluding Capital Projects)
- Capacity fees must be designated for Capital Projects – user fees can also go to Capital Projects
- **Monthly User Fees**
 - Flows have remained the same – solids have increased
 - Commercial use will pay more – indicated by rate model
- **Sewer Capacity Charge Rates**
 - By ordinance, capacity rates will also increase
 - Ordinance approval at June 25 meeting
 - From \$2,541 to \$2,732

C. Revenues/Expenditures – Director of Administrative Services

- **User Fees** – increase 8.94%
- **Truck Waste Fees** – increase 12.7% (some of those fees are being reduced for the coming year)
- **Transfers from Reserves** – none this year
 - Able to under spend this year by \$765,000
 - Rebate on workers comp – estimated an increase, but had substantial decrease in costs
 - Some savings in chemical and power
- **Increase in Revenues** – 6.97% (including Reclamation)
- **Salaries and Benefits** – 5.8%
 - Includes COLA and step increases
 - Some benefit increases
- **Notable Changes in Revenues**
 - User Fees – \$1.1M
 - Brine Receiving, raising rates slightly according to rate model, more demand – \$247K
 - Grease, recommend reduction in rate
- **Notable Changes in Expenditures**
 - Salary and Benefits - \$486K
 - O&M – \$745K (without Reclamation)
 - O&M – \$6.97% (with Reclamation)

D. Reserves/Fund Balance – Director of Administrative Services

- **General Fund**
 - Only non-restricted fund
 - Can be used for operations
- **Capital Projects Fund**

- A restricted fund
- Capacity fees are accounted for in this fund
- Borrowed money for specific projects in FY 06/06
- More needed as facility ages
- **Capital Equipment and Major O&M Repair Fund**
 - Minimum balances have been set on each
 - \$1.5M Capital Equipment Fund
 - \$.75M Major O&M Repair Fund

E. Capital Projects – Assistant General Manager

Mr. Heitzman stated that last year the budget request for Capital Improvement was for \$6.7M; so far we have completed 17 out of the 19 projects for that year totaling \$5.1M. The two that were not completed were reviewed and staff determined they were not needed at this time. Goal is to take good care of the treatment plant - it still looks good in spite of the years. Pride is evident throughout the entire facility.

➤ **Capital Projects**

- **Biosolids** – flows are going down, solids are going up. Two years ago we bought screw presses – since then the price has since gone up over \$1M. This Fall they will be installed.
- **Co-Gen** – has functioned since the plant was built and needs to be updated. Considering fuel cells. May partner with Landfill for the methane.
- **Salinas Pump Station** – Salinas is growing and the current pump station will be able to handle the increase – Pigging Project scoured the pipes and increased the flow – upgrading the pumps – increase the capacity of the wet wells.

F. Investments Update – Director of Finance

Mr. Buell reviewed :

➤ **Investments**

- \$14M invested with California Asset Management Program (CAMP) which is governed by government agencies throughout CA.
- Earned about 5.5% during this last year
- \$68K earned with CAMP over LAIF
- LAIF is beginning to offer a better rate – slower to move
- Staff may recommend a transfer to LAIF if trend continues

7. BOARD MEMBER COMMENTS

Mr. Lewis commented on the increases show on the Commercial User Fees Chart and asked how the increases were determined. Mr. Heitzman suggested that

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when a facility includes food service, their costs will increase. Mr. Bloomer asked that the members be provided a rate sheet that includes the percent of increase for each type of customer.

Mr. Baird asked about grease being brought to the RTP and being a revenue for the Agency. Mr. Heitzman indicated the type of grease we receive is of no use to anyone because it is too dirty – there is no resale value. We do put it in our digester and does generate methane gas.

[At 7:50 p.m., Mr. Russell adjourned Open Session. At 8:05 p.m. he convened Closed Session.]

8. CLOSED SESSION

A. PERSONNEL MATTER

1. Public Employee Performance Evaluation: General Manager

[Following Closed Session Legal Counsel Buchert 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
- 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.]

9. ADJOURNMENT

There being no further business, Chair Russell adjourned the meeting at 8:10 p.m. to the next Regularly Scheduled Board Meeting in the Board Room at 5 Harris Court, Building D, on Monday, June 25, 2007 at 7:00 p.m.

/s/ Keith Israel

Keith E. Israel, General Manager
Secretary to the Board

/s/ Joseph Russell

Mayor Joseph Russell, Chair
MRWPCA Board of Directors