



Approved  
June 30, 2008

**MINUTES**  
**Of the Budget Workshop for**  
**Monterey Regional Water Pollution Control Agency**  
**Board of Directors**  
**June 9, 2008**

**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 7:05 p.m., on Monday, June 9, 2008, in the Board Room at 5 Harris Court, Bldg. D, Monterey, California.

**2. PLEDGE OF ALLEGIANCE**

Mr. Cortez led the Pledge of Allegiance.

**3. ROLL CALL**

**BOARD MEMBERS PRESENT:**

Joe Russell, Chair  
Dave Pendergrass, Vice Chair  
Ramiro Cortez  
David Lewis  
Kenneth Nishi  
Jeff Haferman  
Lou Calcagno  
Scott Miller  
Gloria De La Rosa  
VACANT

Del Rey Oaks  
Sand City  
Boronda County Sanitation District  
Castroville Community Services District  
Marina Coast Water District  
Monterey  
Monterey County  
Pacific Grove, Alternate  
Salinas  
US Army [Ex-Officio]

**BOARD MEMBERS ABSENT:**

Gage Dayton  
Steve Bloomer

Moss Landing County Sanitation District  
Seaside

Minutes

MRWPCA – Budget Workshop

June 9, 2008

Page 2

**STAFF PRESENT:**

Keith Israel	General Manager
Brad Hagemann	Assistant General Manager
Rob Wellington	Legal Counsel
John Tiernan	Director of Administrative Services/Deputy GM
Tom Buell	Director of Finance
Kelly Cadiente	Accounting Supervisor
Lindsay Synstebly	Customer Service Supervisor
Jennifer Gonzalez	Lead Engineer
Mark Malanka	Maintenance Supervisor
Leara Ventura	Administrative Assistant II
Betty Nebb	Executive Assistant

**OTHERS PRESENT:**

Carl Niizawa	City of Salinas
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**4. PUBLIC COMMENTS**

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

**5. CONSENT AGENDA**

- A. Approve Minutes/Report for the Regularly Scheduled Board Meeting of May 29, 2008**
- B. Approve Purchase Order Amendment for Odor Control Chemicals**

Mr. Pendergrass asked for a correction to the Minutes referring to page 6 of the agenda packet, second to last paragraph, “governors” should be change to “governance.” Chair Russell acknowledged the correction would be made.

Mr. Nishi asked that the Minutes of the May 29<sup>th</sup> Board meeting be pulled for further consideration in order to address the Closed Session that was held. He continued by saying the Minutes are unclear as to whether the Board took an improper action in Closed Session or an unagendized action in Open Session. He claimed it appears that action was taken in Closed Session on policies involving regional water projects and basin replenishment and not on negotiations over real property as shown in the agenda and said the Board should nullify the action taken by the Board as noted in the Minutes.

## Minutes

MRWPCA – Budget Workshop

June 9, 2008

Page 3

Mr. Wellington indicated the statement the Board adopted related to the negotiation item in Closed Session having to do with the REPOG project which involves discussions by this agency along with other agencies on real property matters including the conveyance of plant and other facilities and other real property rights. He qualified it was not an inappropriate action and that consideration for the Board to approve the meeting minutes should proceed.

Mr. Nishi stated written notification of this violation of the Brown Act would have to be made within 30 days if the action was taken in Open Session or within 90 days if the action was taken in Closed Session. Mr. Wellington indicated that further consideration of the matter would be given once written notification is received; until then, it is appropriate to approve the Board Minutes.

**ACTION TAKEN: On a motion by Mr. Pendergrass, seconded by Mr. Stefani, the Board approved the Board of Directors Minutes/Report for Monday, May 29, 2008, noting the correction, with Mr. Nishi and Mr. Cort dissenting.**

Chair Russell directed the Board to consider Consent Agenda, Item B, Approve Purchase Order Amendment for Odor Control Chemicals.

**ACTION TAKEN: On a motion by Ms. De La Rosa, seconded by Mr. Pendergrass, the Board unanimously approved the Purchase Order Amendment for Ferric Chloride from \$300,000 to \$348,000 for Odor Control Chemicals.**

## **6. 2008/2009 BUDGET SUMMARY**

### **A. Budget Comments - General Manager**

Mr. Israel reviewed the progress/achievements from Fiscal Year 2007/08, which included:

#### ➤ **Fiscal Year Achievements**

- Only four rate increases over the past seventeen years
- Proposed residential rate increase of 3.3%, effective August 2008
- Screw press operations resulted in \$55,000 rebate check from PG&E

#### ➤ **Reclamation**

- Since 1998, 36 billion gallons of recycled water produced for agricultural irrigation
- Filter Loading testing program almost complete

#### ➤ **Urban Reclamation**

- Resolution of Support from MRWPCA Board of Directors
- Project designed and ready to construct
- Looking for options for completion of Joint Agreement

## Minutes

MRWPCA – Budget Workshop

June 9, 2008

Page 4

- **Replenishment Project**
  - Resolution of Support from MRWPCA Board of Directors
  - Financial support from Seaside Water Master Board
  - Part of Regional Water Supply Plan
  - Expert Consultant on Staff for Project
- **Regional Water Planning**
  - Participation in REPOG process
  - MRWPCA project-level documents prepared for the California PUC
- **Community Relations**
  - Public Outreach resource for MPWMD
  - Continuing partnership with member entities for Grease Outreach
  - Monterey County Fair debuts interactive computer game used for 5<sup>th</sup> grade presentations
  - Job shadowing, career fairs and ag career events
  - International government delegations visit from Japan, Morocco, Australia and Israel
- **Plant Operations**
  - High level of permit compliance
  - New 5-year Discharge Permit
  - Superior storm response in January 2008
  - Record production of Recycled Water
  - Received new Use Permit to 29.6 MGD
- **Safety**
  - New Safety Officer hired
  - Safety Experience Modifier now 0.84
- **Organizational and Succession Planning**
  - New Assistant General Manager hired
  - Planner and Maintenance Supervisor positions filled internally
  - A number of position reviews and adjustments
  - Six Grade 5 Operators
  - Record number of Certifications acknowledged

### **B. Rates/Rate Model - Director of Administrative Services/Deputy GM**

Mr. Tiernan presented the Proposed Budget for FY 2008/09 for final review before Board approval at the June 30 meeting. At the May 12 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 user rate increase. He introduced and expressed appreciation to Kelly Cadiente, Accounting Supervisor, for her analysis of the rate model and efforts in preparing the budget; Lindsey Synstebly, Customer Service Supervisor, for

Minutes

MRWPCA – Budget Workshop

June 9, 2008

Page 5

coordinating the additional work of notifying 55,000 customers of the user fee increase; and Tom Buell for his efforts to provide insight on budget information.

After review and analysis, staff has proposed a 3.3% residential user rate increase this year – from \$10.75 to 11.10 per month. The rate increase is based on two factors: 1) the bond covenant that must be maintained and, 2) the level the Board has established for the General Fund Reserve account. Mr. Tiernan reviewed the rate model chart with members to illustrate how the model can predict where rates need to be to cover our obligations. Mr. Tiernan stated rates didn't increase for 12 years and over the 17 years of operation, our rates have increased a total of only \$1.80 – an average annual increase of only 1.1%. Mr. Tiernan pointed out that MRWPCA rates remain well below comparable statewide averages.

Mr. Cort asked for clarification regarding the description of agencies making up the statewide averages and Mr. Tiernan stated the comparison is with all other state agencies that are grant funded and similar in size to MRWPCA.

Mr. Tiernan continued stating our commercial rates also change when user rates are increased; however, the amount of the increase is determined by strengths and flow. When reviewing the commercial rates, many were nearly the same as 10 years ago. The sewer capacity rates will not be increased this year.

Mr. Tiernan spoke of notable changes in revenues and expenditures and explained the major difference is how the Prior Year Carryover has been recorded. Previously this was booked as income; however it is recommended the amount be reflected in reserves. Chair Russell concurred that change was appropriate.

Mr. Tiernan continued to provide explanation for changes in other income and expense accounts. He called attention to Department 50 which handles Salinas Valley Reclamation Project (SVRP treating the water) and Castroville Seawater Intrusion Project (CSIP distributing recycled water). These programs are contracted with Monterey County Water Resources Agency. For the last 4 years, CSIP and SVRP have operated under budget by a total \$1,051,574.

Mr. Tiernan described the different reserve funds and explained how each would be affected during the next fiscal year. Mr. Haferman asked for

Minutes

MRWPCA – Budget Workshop

June 9, 2008

Page 6

clarification on the capital projects loan and the repayment schedule. Mr. Tiernan referred him to page 10 in the budget information showing the repayment schedule of the \$10M loan received three years ago.

Mr. Haferman also asked about the Agency's reserve level policy and the amount in these accounts. Mr. Tiernan said the recommended level for the O&M Reserve Fund is 20%, which equates to about \$3.4M. At year's end, that fund will have about a reserve balance of about \$5.6M. There is no policy set for Capital Projects as that fund fluctuates depending on what projects are being completed. For Capital Equipment, the Board approved \$1.5M reserve and \$750K reserve for Major O&M.

Mr. Tiernan stated notification of the rate increase will be sent to rate payers this week in order to meet the 45-day notice requirement. A Public Hearing will be held at the Board Meeting on the July 28 and the increase, when approved, will be effective on August 1, 2008.

Mr. Hagemann provided a presentation describing the Capital Projects for FY 08/09 giving credit to Ms. Gonzalez, Lead Engineer, for her help in putting together the capital program project information. He continued stating the costs for all proposed projects will be \$3.7M representing 7 existing/continuing projects and 14 new projects. A short description and project summary was provided in the draft budget document.

Mr. Hagemann highlighted the Salinas Pump Station Enhancement Project summarizing the recent discussions with Salinas city staff members regarding this project. Work on the station continues to complete installation of the 500 horsepower pumps that match the 500 horsepower motors that were replaced a couple of years ago. Installation will be completed in approximately 90 to 120 days and then Agency staff will determine the average and peak flow rate capacity of the pump station. This work ties in with the concerns city staff has expressed about the capacity of the pump station and the capacity of the pipeline from the pump station to the treatment plant and how those respective flow rates compare with planned growth for Salinas over the next 10 to 20 years.

Chair Russell asked about the Coral Street Pump Station in Pacific Grove and Mr. Hagemann stated plans are proceeding with the City to secure a new location away from the beach for the emergency generator.

## Minutes

MRWPCA – Budget Workshop

June 9, 2008

Page 7

Mr. Hagemann reviewed the new projects with the members stressing that the agency has been working on pump stations during the last 3 to 4 years bringing them into compliance with Air Pollution Control District regulations and addressing deferred maintenance. He suggested several individual projects for the Seaside, Monterey and Fort Ord pump stations may likely be combined into one bid package as the work is similar and there may be an advantage to bidding a larger project – it might bring in some larger contractors and hopefully more favorable bids.

Mr. Hagemann provided some details about the Liquid Waste Receiving Station Study and Effluent Monitoring Station Design projects and expressed the possibility that these facilities could be co-located at the treatment plant.

Mr. Hagemann stated the biggest project currently scheduled, the Bar Screen Replacement at \$1.2M, is needed due to the fact a large quantity of rags come into the treatment plant. The pump stations are chopping up fibrous materials that are passing through the existing bar screens and cause higher maintenance on our pumps, flow meters, and down stream equipment. A preliminary study was completed last year that has given us options that are being considered as we move forward on this project.

With a short summary of the Headworks Grating project and the Marina Pump Station Roof project, Mr. Hagemann concluded his comments with no questions from the Members.

Mr. Buell provided charts illustrating the current status of the agencies investments. In June of 2004, funds were moved from Local Area Investment Fund, (LAIF) paying about 2% return, to California Asset Management Program (CAMP) which allowed more flexibility to invest in treasuries. Now, as we are seeing a decline in CAMP, we have started moving money back to LAIF and currently have about 64% of our funds there. Traditionally LAIF goes up slowly and that's why there was a change to CAMP; but it also goes down slowly and so with the investment environment being what it is, we will keep investments very short term and in LAIF for the time being as it is currently paying as well as many treasuries.

To Mr. Cort's question, Mr. Buell responded that LAIF is based in Sacramento and does all its own investing. Most government agencies use LAIF which is currently paying a return of about 3%. One big advantage is you always have access to your money and can withdraw money at any time. Mr. Buell further clarified for Mr. Cort that the amount of money being

Minutes

MRWPCA – Budget Workshop

June 9, 2008

Page 8

held for three years or more last year totaled just over \$1m, but currently they total zero.

Chair Russell called for questions from the members and thanked staff for the thorough Budget Report.

**6. BOARD MEMBER COMMENTS**

No comments

**9. ADJOURNMENT**

There being no further business, Chair Russell adjourned the meeting at 7:50 p.m. to the next Regularly Scheduled Board Meeting in the Board Room at 5 Harris Court, Building D, on Monday, June 30, 2008 at 7:00 p.m.

*/s/ Keith Israel*

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Keith E. Israel, General Manager  
Secretary to the Board

*/s/ Joseph Russell*

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Mayor Joseph Russell, Chair  
MRWPCA Board of Directors