



**Approved
June 29, 2009**

**MINUTES
of the Regular Meeting
Monterey Regional Water Pollution Control Agency
Board of Directors
May 28, 2009**

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 Calcagno at 7:05 p.m., on Monday, May 28, 2009 in the Board Room at 5 Harris Court, Building D, Monterey, California.

2. ROLL CALL

BOARD MEMBERS PRESENT:

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| Lou Calcagno, Chair | Monterey County, Supervisor |
| Gloria De La Rosa, Vice Chair | Salinas, Mayor Pro Tem |
| Ramiro Cortez | Boronda County Sanitation District |
| Ron Stefani | Castroville Community Services District |
| Joe Russell | Del Rey Oaks, Mayor |
| Kenneth Nishi | Marina Coast Water District, Director |
| Libby Downey | Monterey, Councilmember |
| Chris Orman | Moss Landing County Sanitation District |
| Dave Pendergrass | Sand City, Mayor |
| Ralph Rubio | Seaside, Mayor |
| Vacant – Ex-Officio | U.S. Army, Representative |

BOARD MEMBERS ABSENT:

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| Dan Cort | Pacific Grove, Mayor |
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MRWPCA STAFF PRESENT:

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| Keith Israel | General Manager |
| Brad Hagemann | Assistant General Manager |
| Rob Wellington | Legal Counsel |
| John Tiernan | Director of Admin Services, Deputy GM |
| Tom Buell | Director of Finance |

Bob Holden
Karen Harris
Tiffany Wheeler
Betty Nebb

Principal Engineer
Community Relations Specialist
Customer Service Specialist I
Executive Assistant

OTHERS PRESENT:

Bjorn Lundegard – City of Seaside
Carl Niizawa – City of Salinas

3. PLEDGE OF ALLEGIANCE

Chair Calcagno asked Vice Chair De La Rosa to lead the Pledge of Allegiance.

4. PUBLIC COMMENTS

At 7:06 p.m., Chair Calcagno asked for Public Comments – none were presented.

5. CONSENT AGENDA

ACTION TAKEN: On a motion by Mr. Pendergrass, seconded by Ms. De La Rosa, the Board unanimously approved the Consent Agenda, Items A through I as follows:

- A. Approve Board Meeting Minutes/Report for Regularly Scheduled Board Meeting of April 27, 2009**
- B. Receive Financial Statements – April 2009**
- C. Receive Comparison Percentage of Budget Expended Through April 2009 versus 2008**
- D. Receive Check Register – April 2009**
- E. Receive Plant Flows and Effluent Quality for Connected Agencies, Plus Flow Charts for Salinas, Monterey Peninsula, Marina, Fort Ord, and Castroville for April 2009**
- F. Receive Actual vs. Budgeted Fiscal Year 2008/09 Expenditures for the Capital Improvement Program and Capitalized Equipment Fund**
- G. Receive Actual vs. Anticipated Fiscal Year 2008/09 Revenues from Capacity Charges**
- H. Approve Chemical Purchases**
- I. Approve Trickling Filter Pump Rebuild**

6. COMMITTEE REPORTS AND RELATED ACTION ITEMS

A. Budget/Personnel Committee

1. Receive and Approve Committee Minutes/Report of May 13, 2009

Item 2 – Consider Audit Contract Renewal. Mr. Tiernan stated that in February 2005 Vavrinek, Trine, Day & Co. (VTD) was selected to perform auditing services with an option for 2- to 4-year extensions as long as services were satisfactory. We have been very pleased with VTD's service as it has been comprehensive and timely and has included support for the Comprehensive Annual Financial Report (CAFR) to the Government Finance Officer's Association (GFOA). VTD has also been able to maintain their costs and will not be charging more this year for their audit services.

Mr. Nishi confirmed this was the fourth year of a four-year contract and Mr. Tiernan explained that staff would have to solicit bids next year for this audit work. Staff's recommendation is to renew this contract for an additional year at a cost not to exceed \$40,000.

Item 3 – Consider Draft Proposed Budget – FY 2009/10. Mr. Tiernan explained that the Committee offered comments and had questions that are noted in the Committee minutes. Results of the Committee discussion have been addressed and are incorporated into the presentation of Agenda Item 7 – 2009/2010 Budget Summary.

ACTION TAKEN: On a motion by Mr. Stefani, seconded by Ms. De La Rosa, the Board unanimously approved the Budget/Personnel Committee Minutes for Friday, May 13, 2009, with the following recommendation:

- **That the Board approve the contract with Vavrinek, Trine, Day & Co. (VTD) be renewed for an additional year at a cost of \$40,000. VTD will perform the audit with no increase in cost from the previous year.**

B. Recycled Water Storage Committee

1. Receive and Approve Committee Minutes/Report of May 14, 2009

Item 2 – Update on Status of MOU's for the Monterey Regional Water Program. Mr. Israel stated the Planning and the 3-Way MOU's that were approved by our Board on April 13 were originally scheduled to be considered at the Board of Supervisors' meeting on April 25; but then rescheduled for the May 19 meeting. This agenda item was for information only – no action needed.

Item 3 – Consider Ongoing Federal Funding Assistance for Recycled Water Projects. Mr. Israel explained that ENS Resources has been providing service on funding sources for recycled water and groundwater replenishment. They also assisted in the funding visit in April to Washington DC in which Mr. Rubio participated. Staff recommends continuing with this assistance at \$6,000 per month for the next year.

Mr. Nishi asked how these costs were being allocated and Mr. Israel explained that previously more of the costs were allocated to the Groundwater Replenishment Project, but for the coming year the emphasis would be to secure funding for recycled water projects.

Mr. Rubio cited his experience on the recent trip to DC, stating the lobbyist from ENS Resources had been extremely helpful and well received in all the departments that were visited and on a first-name basis with high-level officials. Regarding Mr. Nishi's question, Mr. Rubio stated our lobbyist would be working more on the recycled water project (RUWAP) because that was highlighted during the meetings. The Groundwater Replenishment Project (GWR) was more incidental to the discussions since it is in Phase 2 of the CPUC Draft EIR. However, the Committee concurred about continuing limited expenditures to provide some limited support and study on that project.

Mr. Nishi continued by stating that if there is no EIR completed on a project, the amount of funds that can be spent is limited. Mr. Wellington stated that there is no specific limit on the amount of money that can be spent before an environmental review is required. However, an EIR must be completed prior to action the Board might take to approve a specific project. Then Mr. Wellington provided an example using the MERSA project that served as the basis for the CSIP and SVRP which have greatly benefited Salinas and the agricultural lands in North County. In this case, funds were provided for studies and planning before the projects were implemented. He stated that Mr. Nishi's point is well taken and the Board needs to be aware of costs while strategic planning continues to develop uses for replenishment water. Ms. Downey asked if the amount being budgeted was reasonable and Mr. Wellington concurred. He also confirmed he would be updating a previous opinion regarding expenditure of funds for project development.

To Mr. Nishi's comment, Mr. Rubio stated the Committee recommends that the Board consider \$125,000 for continuing support of the GWR and qualified that the Committee recommendation does not automatically approve the amount of money scheduled in the Proposed Budget.

Item 4 – Review Justification for Continued Limited Expenditures for the Groundwater Replenishment. Mr. Israel indicated the minutes of the Committee meeting contain a lot of detail regarding this item. He reported that more money was spent on the GWR project during this fiscal year in order to get the project included in the CPUC Draft EIR. During the coming fiscal year, staff will continue with limited spending to keep the GWR studies viable and ongoing, knowing that when a project is developed, these costs may be reimbursed.

Discussion followed regarding support for the Regional Water Supply Program and the often confusing details of the plan. Comments also were made about sponsorship of the continuing community meetings.

ACTION TAKEN: On a motion by Mr. Rubio, seconded by Mr. Russell, the Board unanimously approved the Recycled Water Storage Committee Minutes for Thursday, May 14, 2009, with the following recommendations:

- That the Board approve funding for ENS Resources at the rate of \$6,000 per month.
- That the Board consider \$125,000 in the FY 2009/10 Budget to provide limited funding of groundwater replenishment and request an updated expenditure opinion from legal counsel.

7. 2009/2010 BUDGET SUMMARY

A. Budget Comments

Mr. Israel provided a summary of the year's activities highlighting the following:

- No rate increase this year – only 4 increases over 18 years
- Filter Loading Project (FLEWR) completed
- Over 40 billion gallons of recycled water for agriculture
- Progress on RUWAP
- Seaside GWR included in Second Phase of CPUC Draft EIR
- Salinas River Diversion Facility project started
- Salinas Pump Station – 8 pumps upgraded
- RTP Grade V Facility – 8 Grade V Operators
- Ad Hoc Water Committee developing regional water agreements

B. Rates/Rate Model Overview

C. O&M Expenditures/Revenues

D. Reserves/Fund Balance

Mr. Tiernan introduced budget information related to Rates/Rate Model Overview, O&M Expenditures/Revenues and Reserves/Fund Balances. He introduced Ms. Kelly Cadiente, Accounting Supervisor, and thanked her for her work with the

Rate Model and assistance in creating the budget being presented tonight. He emphasized that the budget has no residential user rate increase proposed for this year; it also meets our employee MOU requirements and the bond covenant. He then provided a description and illustration of the rate model and explained that the Board has established a target General Fund reserve balance of 20% (\$3.4M) of the operating budget.

Additional graphs were presented showing the Debt Ratio, Sewer Capacity Charge Rates and Residential User Rates. Mr. Tiernan explained that over the last 17 years our residential user rates have increased only \$1.80, with no increase this year. The Capacity Charge does go up this year by an index set according to our Ordinance to \$2,923, but remains well below the state average of \$4,100. He noted that expenses and revenues for fiscal year 2009/10 are very close to the previous year's budget with only a .7% variance. He explained that although the Reclamation Plant & Distribution expenses are reimbursed to us by Monterey County Water Resources Agency, this is included in our budget – over the last 6 to 7 years we have returned over \$1m through operations to the County.

Additionally, Mr. Tiernan highlighted the following:

- Non-operating revenue is down, due to interest rates decline
- Small increase on salaries and benefits of 1.82%
- User penalty fees increasing
- Increase in brine and oily waste receiving fees
- Increase in costs for chemicals

Some discussion followed regarding the costs associated with the escalating number of home foreclosures in our area as well as the steps staff is taking to control and decrease operating costs associated with chemicals, utility and sludge disposal. Mr. Tiernan concluded by saying the operating budget, reclamation budget, capital expenditures and equipment expenditures budget comes in at a total of approximately \$23-24m. Staff has presented a balanced budget without a rate increase and will be monitoring costs throughout the year to be sure that expenditures are kept under control.

E. Capital Projects

Mr. Hagemann presented a recap on the Capital Projects for FY 2009/10 highlighting Repairs/Enhancements for various large pump stations (\$1m); Reeside Odor Scrubber (\$30k); as well as, design studies for the Salinas Pump Station Capacity Conveyance System (\$100k).

At the Regional Treatment Plant (RTP) three major projects are scheduled: RTP Water System - \$150k; Headworks Bar Screen - \$75k; and Digester Hot Water Loop - \$840k. He stated the Capital Projects budget is reduced from previous

years and the budget for Capitalized Equipment is \$445k, about \$225k less than last year's.

Mr. Nishi asked about the number and cost for engineers currently on staff. Mr. Hageman replied that we have three staff engineers as well as our Compliance Engineer at an estimated cost of \$125k to \$145k per engineer, per year. There were no other questions.

F. Investments Update

Mr. Buell stated that currently \$10.7m is available for investing with most of these funds being held with LAIF. Because of the current economic environment, interest rates are low. At the recent Budget/Personnel Committee there was discussion regarding the option to seek out other investment opportunities. Staff will proceed with evaluation of CD's as they are currently paying higher than treasuries and may have some potential for the agency. There are, however, some restrictions as our Investment Policy allows only 20% of our portfolio (\$2m) to be invested. Discussion followed regarding the option of paying down some of agency debt, especially because interest rates are currently so low. Mr. Buell stated he would prepare a report to present at the next Budget/Personnel Committee meeting evaluating various options for the investment portfolio and consideration of steps for reducing debt.

In response to Mr. Nishi's question, Mr. Tiernan indicated that the final budget would include an organization chart and that the salary schedules and ranges would be presented for approval at the June Board meeting. Although Mr. Tiernan stated he was not familiar with a government code stating that only a certain percentage of user fees could be used for repair and replacement (R&R), at Mr. Nishi's request, he would research the matter.

Discussion followed regarding Salaries/Benefits and PERS contributions. Mr. Nishi asked that the PERS total includes only the amount for employees. Mr. Tiernan indicated staff would review that section and would provide some additional breakout per other comments and discussion from the Budget/Personnel Committee.

ACTION TAKEN: On a motion by Mr. Rubio, seconded by Mr. Orman, the Board agreed to receive the FY 2009/10 Budget Report. The motion carried unanimously.

- 8. STRATEGIC PLANNING WORKSHOP AND RELATED ACTION ITEMS**
 - A. Approve Minutes/Report for Strategic Planning Workshop of May 15, 2009**

B. Review Goals and One-Year Objectives

Mr. Israel introduced the Minutes/Report for the workshop and provided a presentation to review the goals and new objectives with the Board members. He stated the workshop had been well attended and the members worked efficiently to cover a lot of material in a short time. Mr. Rubio commented that this was his first workshop with this Board. He stated that he was grateful for the opportunity to get to know the members and noted that everyone worked as a team and did a great job to formulate the new one-year objectives.

ACTION TAKEN: On a motion by Mr. Rubio, seconded by Ms. De La Rosa, the Board unanimously approved the Strategic Planning Workshop Minutes/Report for Friday, May 15, 2009.

9. INFORMATIONAL ITEMS

A. Fort Ord Update

No questions or comments.

B. Reclamation Project Status Summary

Mr. Israel stated the RTP is running at maximum production and producing a lot of good recycled water for the reclamation project. Chair Calcagno asked about progress on the Salinas River Diversion Facilities project and Mr. Holden provided a short update on the chlorination system. Chair Calcagno also asked about the amount of water that would be pumped for the project, and Mr. Israel stated the rate would be approximately 20k to 30k gallons a minute.

10. STAFF REPORTS

A. General Manager/Assistant General Manager/ Legal Counsel

Mr. Israel announced that, in light of some environmental concerns, the RUWAP MOU is currently being reviewed and updated. Because the changes are beyond basic editing, it is proposed to bring the MOU back to this Board to review and approve the changes. Staff would like the Board to consider a Special Board meeting on Monday, June 8, in order to consider the revised RUWAP MOU. Marina Coast Water District has a Board meeting scheduled for Tuesday, June 9, and their agenda for that meeting will also address the revised agreement.

Mr. Wellington added that the revised document was received too late to provide a thorough review at this time. Mr. Rubio concurred that while some of the changes are actually supportive and strengthen the agreement, there are areas where the language is less clear and some additions to the document need more time for review. Chair Calcagno encouraged representatives from the three agencies to

meet soon to review and finalize the MOU. The Board members agreed to schedule a Special Meeting on June 8 to consider the revised MOU.

B. Department Heads

Nothing to report.

C. Presentation: (none scheduled for this meeting)

11. CORRESPONDENCE

Mr. Israel noted the correspondence attached and offered to answer any questions. He stated that a reply to the letter from Monterey Peninsula Water Management District had been drafted for signature by the agency managers of MCWD, MCWRA and MRWPCA.

12. BOARD MEMBER COMMENTS

Ms. Downey asked about the procedures for calling in to the Special Meeting on June 8 since she will be traveling. Arrangements will be made to accommodate her request.

13. ADJOURNMENT

With no further business, Chair Calcagno adjourned the meeting at 8:27 p.m. to the next scheduled Special Board Meeting, in the Board Room at 5 Harris Court, Building D, on Monday, June 8, 2009, at 7:00 p.m.

/s/ Keith Israel

Keith E. Israel, General Manager
Secretary to the Board

/s/ Louis Calcagno

Louis Calcagno, Chair
MRWPCA Board of Directors