



APPROVED

(as corrected)

July 26, 2010

**MINUTES
of the Regular Meeting
Monterey Regional Water Pollution Control Agency
Board of Directors
June 28, 2010**

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 7:17 p.m., on Monday, June 28, 2010 in the Board Room at 5 Harris Court, Building D, Monterey, California.

2. PLEDGE OF ALLIGENCE – Vice Chair Ron Stefani

3. ROLL CALL

BOARD MEMBERS PRESENT:

Lou Calcagno, Chair	Monterey County Supervisor
Ron Stefani, Vice Chair	Castroville Community Services District
Ramiro Cortez	Boronda County Sanitation District
Dennis Allion	Del Rey Oaks, Councilmember
Ken Nishi	Marina Coast Water District, President
Libby Downey	Monterey, Councilmember
Chris Orman	Moss Landing County Sanitation District
Carmelita Garcia	Pacific Grove, Mayor
Janet Barnes [Alternate]	Salinas, Councilmember
Dave Pendergrass	Sand City, Mayor
Ralph Rubio	Seaside, Mayor
Vacant – Ex-Officio	U.S. Army, Representative

BOARD MEMBERS ABSENT:

None

MRWPCA STAFF PRESENT:

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

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Bob Holden
Mark Malanka
Lindsay Synstebly
Betty Nebb

Principal Engineer
Maintenance Manager
Customer Supervisor
Executive Assistant

OTHERS PRESENT:

Carl Niizawa – MCWD
Frank Aguayo – City of Salinas
Tom Carvey – Salinas Valley Chamber of Commerce
Brian Finegan – Land Owners and Developers/Salinas
Rick Riedl – City of Seaside

4. PUBLIC COMMENTS

At 7:19 pm, Chair Calcagno opened and closed Public Comments. No comments received.

5. CONSENT AGENDA

Chair Calcagno suggested pulling Item M, Resolution 2010-06, levying general and special taxes, assessments or fees; Item N, Resolution 2010-07 establishing investment policy and guidelines; and, Item O, updating reserve policy and guidelines for additional discussion.

Mr. Tiernan explained that Resolution 2010-06 authorizes the agency to levy fees/assessment with the County for delinquent sewer fees. He provided a graph showing that over a period of time we are able to collect nearly all of the outstanding fees. He explained the liens are paid when the property is sold or changes ownership. There were no questions.

Mr. Tiernan provided information regarding proposed changes to the Reserve Policy and Guidelines that were last updated in 2006. Reviewing other entities showed that 20% of O&M expenses is a standard amount to be held in General Fund Reserve; our existing reserve balance is approximately \$6.1 million (m). Using the 20% requirement, our minimum requirement is approximately \$3.6m. Two changes being recommended are as follows: reducing the Capital Equipment Reserve Fund minimum from \$1.5m to \$1m, and eliminating the Major O&M Fund and covering those costs with General Reserve funds.

Mr. Nishi asked if money held in a reserve fund is less likely to be taken by the State and commented that he would like to see more money held in the reserve accounts. Ms. Garcia requested clarification from staff and Mr. Israel reported that this agency has never been in a position for the State to take funds since our funds come from fees and not from tax funds. Many special districts that receive tax money may be vulnerable. He referred to a report completed several years ago by the Hoover Commission that resulted in some agencies being criticized for

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having too much in reserves – some agencies had over 100% of annual operating expenses in their reserve funds while the standard is about 20%.

Mr. Buell addressed Item N, the resolution to re-establish our investment policy. He clarified a question by Mr. Allion regarding the investments shown on Page 26, noting they are not the same as the total reserve. The reserve also reflects money for on-going cash flow needs and funds available on our bond held by a third party. He noted the resolution is updated each year as an annual requirement for all governmental agencies. He stated there are no changes to the investment policy and guidelines from last year.

Mr. Frank Aguayo, City of Salinas, asked for a correction to the minutes of the Budget Workshop on June 10. He requested that Mr. Field's comments to the Board that night include his statement that there is disagreement between the City and the agency regarding the reports on flow levels. The Chair asked staff to review the transcript and make appropriate changes.

Mr. Orman also noted a correction to the Budget Workshop minutes as he was in attendance. Staff had made that correction to the minutes.

Ms. Downey had a question about the Employee MOU's presented for Board approval. She indicated it may be time to consider a two-tier system for retirement benefits. Mr. Hagemann stated the employees are aware this may be something that will be considered in next year's MOUs negotiations.

ACTION TAKEN: On a motion by Mr. Pendergrass, seconded by Ms. Garcia, the Board approved the Consent Agenda, Items A through P, with the exception of Mr. Rubio abstaining to Item A and Mr. Nishi voting no to Item O, as follows:

- A. Approve Minutes/Report for Regularly Scheduled Board Meeting of May 24, 2010
- B. Approve Minutes/Report for Board Budget Workshop of June 10, 2010
- C. Receive Financial Statements for April 2010
- D. Receive Comparison Percentage of Budget Expended through May 2010 vs. 2009
- E. Receive Check Register – May 2010
- F. Receive Plant Flows and Effluent Quality for Connected Agencies, Plus Flow Charts for Salinas, Monterey Peninsula, Marina, Fort Ord, and Castroville for May 2010
- G. Receive Actual vs. Budgeted Fiscal Year 2009/10 Expenditures for the Capital Improvement Program and Capitalized Equipment Fund

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- H. Receive Actual vs. Anticipated Fiscal Year 2009/10 Revenues from Capacity Charges
- I. Adopt MRWPCA Resolution No. 2010-03, Approving a One-Year Memorandum of Understanding between MRWPCA and the General Employees' Association
- J. Adopt MRWPCA Resolution No. 2010-04, Approving a One-Year Memorandum of Understanding between MRWPCA and the Mid-Management Employees' Group
- K. Adopt MRWPCA Resolution No. 2010-05, Approving a One-Year Memorandum of Understanding between MRWPCA and the Management Employees' Group
- L. Approve Blanket/Open Purchase Orders to Vendors over \$35,000 for FY 2010/11
- M. Adopt MRWPCA Resolution No. 2010-06, Certifying Compliance with State Law with Respect to the Levying of General and Special Taxes, Assessments, and Fees or Charges Levied as an Incident of Property Ownership
- N. Adopt MRWPCA Resolution No. 2010-07, Establishing the Agency Investment Policy and Guidelines for Fiscal Year 2010/11
- O. Approve Updated MRWPCA Reserve Policy and Guidelines
- P. Authorize Chemical Purchase

6. PUBLIC HEARINGS

A. Lien Hearing for Delinquent Sewer Service Billing

Mr. Tiernan explained this public hearing presents to the Board a listing of delinquent accounts that will be filed as liens with the County Assessor's office. Due to health and safety codes, MRWPCA can not shut off sewer service. As a result, the agency will lien property that is over \$40 in arrears. He stated that the lien process notifies and allows customers sufficient time to remit payments for outstanding user charges prior to recording the liens on July 22. The schedule illustrating the steps in this process is shown on page 105 of the agenda packet followed by the current list of delinquent accounts totaling \$752k. He explained that historically within six years we have been able to collect almost 99% of the liened accounts. The delinquent amount is placed as a lien on the property taxes; when the property changes hands, the lien is paid. The list included in the agenda packet will likely reduce as historically many accounts are paid prior to the filing date.

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Ms. Barnes noted that several delinquent accounts are with Wells Fargo Bank and Ms. Synstebly explained that due to foreclosures, several banks are currently owners of properties with delinquent accounts.

Mr. Tiernan reported that one property is in arrears for capacity fees and a lien will also be filed with the County on this property on July 22 for the delinquent amount of \$3,547.26.

ACTION TAKEN: On a motion by Ms. Barnes, seconded by Ms. Garcia, the Board unanimously adopted MRWPCA Resolution No. 2010-08 and Resolution No. 2010-09, subsequently to be filed with the Monterey County Tax Recorder's Office for collection of liens along with real property taxes.

B. Proposed Fiscal Year 2010/11 Budget

Mr. Tiernan stated the budget has been reviewed three times by the Budget/Personnel Committee and by the full Board at the Budget Workshop. Staff recommends approval of this FY 10/11 Budget which includes a \$.90 increase in user fees, raising the fees from \$11.10 to \$12.00 per month. This new rate will take effect on August 1, 2010. He also explained that staff recommends the fund reserve requirement for Capital Equipment Fund to be lowered to \$1m and to combine the Major O&M Repair Fund with the General Fund, noting that this does not reduce the total fund balances.

He confirmed that \$4.2m for Capital Improvement Projects was included in the FY 10/11 budget and that staff continues work to refine the 5- and 10-year CIP. He noted that the rate implementation to support the CIP would be presented to the Board in January 2011 and a CIP funding plan would be considered for FY 11/12.

Mr. Tiernan summarized the Next Steps which include the Public Hearing scheduled for the Board Meeting on July 26 to consider protests to the new rate increase that becomes effective August 1, 2010.

Ms. Downey referred to a letter from Mr. and Mrs. Washburn and that their comments were recently published in the Herald regarding the sewer rate for vacant property. Mr. Tiernan explained that we can't guarantee that water is not being used and we are unable to shut off sewer service even on a vacant residence. The agency is able to reduce the normal fee when a vacancy is reported. Ms. Synstebly confirmed there is no sewer fee for a property that has no building on it.

To Ms. Barnes' comment that for the last five years the funding for Salinas capacity has been deferred, Mr. Israel stated the draft long-term CIP had over \$6m of funding for Salinas conveyance system in the first 5 years and that, as previously discussed, staff will be refining the CIP for the Board's consideration in January. Mr. Hagemann confirmed that \$100k was budgeted this fiscal year; \$150k for

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2011/12; and \$3m in both 2013 and 2014. He also noted that \$4m has been spent on behalf of Salinas conveyance system since 2003. He explained that during this fiscal year staff would continue to review alternatives with City Staff and the Technical Advisory Committee regarding the Salinas capacity and provide a recommendation.

Ms. Downey asked Mr. Israel to summarize the discussion from the previous meeting regarding peak flow figures. Mr. Israel stated the flow data from the last 10 years hasn't changed very much and that with the planned growth and projected flows for Salinas, he feels there will be sufficient capacity for some time. The current study will better confirm this, and staff is looking forward to reviewing the study with Salinas City staff and John Fair in the near future. The slide presentation given at the Budget Workshop was in response to the City's letter regarding the conveyance capacity issue. Ms. Barnes stated the City is looking for protection from peak flows knowing that not being able to handle these peak flows could result in an environmental and/or economic disaster for Salinas.

Mr. Frank Aguayo, City Engineer for Salinas, stated the City feels the long-term solution is a new conveyance pipeline, and they need reassurance that there is adequate infrastructure including the sewer capacity needed for Salinas. He asked that this pipeline be included in the long-term CIP in next year's budget.

Mr. Tom Carvey, President of Salinas Valley Chamber of Commerce, stated the conveyance and development of the CIP is essential. Salinas has for decades absorbed 85% of population growth for this area and is by far the largest city in our County. Because the City pays impact fees that are in part for MRWPCA, he feels they should have a more significant say on how the budget is spent. He stated that currently the pumps work overtime costing the City more money and green house gases are an issue – larger pipes will use less energy. Without larger sewer capacity, food production which is a \$4 billion industry in our area could be jeopardized. Mr. Carvey also told about two local girls who started a small artisan bakery and found the MRWPCA fees to hook up to the sewer system were more than they anticipated; he felt Salinas should have a say in how these matters are handled.

Mr. Bryan Finigan, representing developers, stated his clients are preparing for environmental reports for future growth in the Salinas area and need assurance that the infrastructure to meet the wastewater conveyance capacity will be met. Mr. Finigan stated CEQA has required funding sources for these improvements and so he is requesting the Board make a commitment to satisfy the CEQA requirements. He stated the issue needs to be resolved quickly and this agency needs to define the CIP program and how it will be funded.

Mr. Israel responded that staff is extremely comfortable regarding the capacity needs and the formal response to the City will have enough details to explain that.

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While there remains some differences in interpreting the flow numbers from the City, agency staff has been able to document clearly the amount of flow from Salinas. This agency has excellent wastewater expertise and can provide accurate information and engineering expertise needed to address the issues. Agency staff encourage the opportunity to meet with City staff to resolve these differences and the agency supports the plan to have a third party help facilitate this matter.

Ms. Barnes stated that the City is not using hypothetical numbers to state peak flow rates. She stated the goal to achieve sufficient pump station and conveyance capacity for Salinas has been listed in the Strategic Goals for the last five years showing that everything is on target, and yet there is still no commitment. She indicated she would be asking for a weighted vote on the approval of the budget with the long-term conveyance pipeline to be included in the long-term 10-year CIP program. When asked by the Chair if she was making a motion, she concurred that this would be her motion.

Ms. Downey asked staff if this pipeline were built and turned out not to be needed, what would be the problems regarding that? Mr. Israel stated that per the Strategic Goals, staff has considered Salinas' issues and has been funding projects to improve the system. Because the agency would have to raise rates to cover this cost, the flows would have to justify the increased need – engineering numbers that can be validated are needed before agency staff can recommend building a new conveyance pipeline. Staff needs to be able to have actual, validated data.

Mr. Rubio stated it is like the developer who wants to build and has to have assurances. However, there is a time gap. He asked if there could be possible "phase-in" techniques as these development projects become viable. Mr. Rubio suggested that the Board could make a commitment to meet the conveyance need without specifically describing a new pipeline as the solution.

Mr. Israel stated there are different options to provide for the capacity at 1/5 the cost needed for a pipeline – instead of \$35m, just \$5m or \$6m could be used for alternative solutions.

Mr. Frank Aguayo stated the pipeline must be in the long-term CIP and the mechanism to fund this pipeline needs to be in place.

Chair Calcagno seconded the motion and added that the Budget/Personnel Committee considers the long-term needs of Salinas and all our member entities. He stated that the BPC originally considered \$45m for the CIP and added more for the long-term plan for Salinas requiring a thorough evaluation for compliance with the Prop 218. The BPC committed to prepare for the Prop 218 during the year and develop a long-term CIP which would include a Salinas pipeline or whatever the appropriate solution will be. He expressed agreement with Mr. Rubio that the Board approve the 2010/11 Budget and qualify that MRWPCA will include a

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solution to the Salinas conveyance capacity in the 10-year CIP. He confirmed with Ms. Barnes stating this is what the committee discussed.

Mr. Hagemann agreed that staff is addressing the problem, but can't yet say that the solution will be to build a pipeline – a phased solution may be more cost effective. Chair Calcagno stated that by next year, a long-term solution for Salinas will be in the long-term CIP plan.

Ms. Barnes stated a \$5 to \$6m alternative to the pipeline previously offered by the agency was to expand the sewer ponds which are located in her District and that it was undesirable – it is a pipeline that is needed. Ms. Downey asked about the consultant who was suggested to serve as a facilitator between the agency and the City and Mr. Israel stated that Mr. John Fair, former Public Works Director for Salinas, has offered his services. Ms. Downey agreed that the Board would proceed to do whatever is needed for Salinas; however, she was reticent about having a motion for consideration before the solution was known.

Mr. Nishi stated he could not support the Budget because of the Reserve Fund Policy; however, he would support Salinas' motion. Mr. Pendergrass acknowledged that this agency has always supported its members and noted that we are committed to the flow monitoring study so that next year the Board can confirm what is needed to solve the conveyance issue. He stated we also need to show consideration to the rate payers and be certain we can support the justification for an increase in fees for the long-term CIP.

Chair Calcagno stated he understood the City and other individuals regarding the development of the area and recognized that there is a lot of time before more capacity is needed; however a solution for Salinas needs to be included in the long-term CIP.

To Mr. Stefani's question, Mr. Israel explained that a \$.90 increase is being considered this year and there is Prop 218 justification for this adjustment. For the following years, as we look at the long-term CIP plan, engineering data is needed to justify the necessary increases. Mr. Stefani confirmed that more people these days want to know what increased fees are being used for. Ms. Downey expressed concern that Ms. Barnes had not been present at the last meeting to hear staff's thorough report regarding the Salinas conveyance capacity. *Ms. Barnes indicated she had been briefed by City staff about the meeting.*

ACTION TAKEN: On a motion by Ms. Barnes who called for a weighted vote, seconded by Chair Calcagno, the Board approved the FY 2010-11 MRWPCA Budget with inclusion of a conveyance pipeline for the City of Salinas in the 10-Year Capital Improvement Program. [nay votes by City of Monterey, City of Pacific Grove and Sand City]

7. COMMITTEE REPORTS AND RELATED ACTION ITEMS

A. Recycled Water Committee

**1) Receive Committee Recommendations from RWC Meeting of
June 17, 2010**

Item 1 – Update on Salinas River Diversion Facilities (SRDF)

Mr. Holden reported that the SRDF began pumping river water on May 3. Less river water was used in May and June than anticipated due to rain and start-up issues. He provided charts to show the percentages/amounts of river water, recycled water and groundwater. He explained that because it rained so much, grower demand for water was lower. Chair Calcagno expressed concern that if the pumps aren't pumping and the systems aren't working properly, then water is lost to the ocean. Mr. Holden stated that at this time of year, 50 cubic feet per second of water passes the dam for fish flows – next month that will decrease to 2 cubic feet per second so there will be more water to capture. He noted that the County is repairing the Blanco Drain system that will allow the dam to raise another 1 ½ feet and capture more water. Mr. Malanka confirmed that the agency staff is in constant contact with the County to ensure the system is working at optimal levels.

➤ **Information only – no action needed.**

Item 2 – Review Status of SRDF (Rubber Dam) O&M Agreement with MCWRA

Mr. Hagemann reported that MCWRA has approved the agreement as to form but wants to further consider some of the insurance levels, indemnification wording, and ownership of the chlorination system. He stated the agreement will likely be ready for consideration by the RWC next month.

➤ **Information only – no action needed.**

**Item 3 – Update on State Revolving Fund Loan Program and Status of the
RUWAP Project**

Mr. Holden stated the RWC reviewed the four projects, part of Phase I of the Region Project, that are shown on the current State Revolving Loan Fund list: Desal Plant - \$213m; Intake Wells - \$48m; RUWAP - \$31.5m/\$34.4m; and Brine Outfall - \$9m. Mr. Rubio, Chair of the RWC, stated that he recently traveled to Sacramento and met with the Senate Pro Tem, the Speaker of the Assembly and with the Governor's office in regards to funding for these projects. As we are trying to take care of our own water problems, he stated our projects were favorably received and simply need to be funded. Feedback from participants in the meetings was very positive.

Ms. Barnes asked about the Brine Outfall project and if that discharge is damaging to the sanctuary. Mr. Holden explained it involves brine from the proposed MCWD desal plant at Armstrong Ranch that would be mixed with treated wastewater

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before being discharged to the ocean. Studies are being conducted now to determine several factors regarding the brine and its effect on the outfall and on permit conditions; the next phase is design of the facility to bring the brine and effluent together. He stated this process is necessary for a new permit to discharge this regional desal brine which has a salinity of about twice that of the ocean. He also discussed the differences on this brine related to the desal facility at Sand City.

➤ **Information only – no action needed.**

Item 4 – Update on CPUC Hearings Held Last Week

Mr. Israel reported he attended a part of the evidentiary hearings held in San Francisco on June 8 and 11. The Mayor's Group from Monterey Peninsula was admitted as a "party" to the proceedings to support the regional project and to provide some input on certain issues. He noted that a schedule for upcoming public hearings was included in the agenda packet: one in Monterey tonight (June 28 at 7:00 pm) and two in Seaside (June 29 at 1:30 pm and 5:00 pm). CPUC final action is scheduled for November 2010.

➤ **Information only – no action needed.**

Item 5 – Review Water-Related Articles

Mr. Israel provided the RWC with information on some recycled water related articles on activities in the Bay Area: recycled wastewater for toilet flushing in San Rafael; \$44m recycled water facility in San Jose; and a proposed \$88m recycled water plant for Golden Gate Park. He also noted an article about Mendocino County where they have almost 30 agencies that have something to do with water – they are recommending consideration for a Joint Powers Authority (JPA).

➤ **Information only – no action needed.**

ACTION TAKEN: On a motion by Mr. Rubio, seconded by Mr. Stefani, the Board unanimously approved the Recycled Water Committee Minutes/Report of June 17, 2010.

8. INFORMATIONAL ITEMS

A. Reclamation Project Status Summary

Mr. Israel report the reclamation plant is running wide open, producing about 2,000 AF of recycled water a month along with about 1,000 to 1,500 AF water from the Salinas River.

B. Strategic Planning Goals (2008-2011) and One-Year Objectives Update

Mr. Israel stated the goals were just newly update and more action will be apparent as time moves on.

9. STAFF REPORTS

A. General Manager/Assistant General Manager/ Legal Counsel

Mr. Israel reported that last week AMBAG had a recycled water presentation in Watsonville and a tour of their new recycled water facility. It is different than our tertiary treatment plant in that they use cloth filtration and UV disinfection. Our agency has a multi-media filtration and we use chlorine gas for our disinfection. It is a very nice looking facility and they are supporting about 2,000 acres of crop land with their recycled water.

B. Department Heads

No reports.

10. CORRESPONDENCE

Chair Calcagno reviewed the letters listed and suggest staff should provide responses to protest letters that explain more thoroughly that the amount of water doesn't determine the billing rate. Mr. Israel stated responses will be available for review next month when we have the Public Rate Hearing.

11. BOARD MEMBER COMMENTS


Mr. Allion expressed his appreciation to Sand City for sponsoring a tour of their new desalination plant earlier this evening and for the reception the City provided before and after the tour. Ms. Downey concurred.

12. ADJOURNMENT

With no further business, Chair Calcagno adjourned the meeting at 8:35 p.m. to the regularly scheduled Board Meeting on July 26, 2010.



Keith E. Israel, General Manager
Secretary to the Board



Lou Calcagno, Chair
MRWPCA Board of Directors