



APPROVED
June 27, 2011

MINUTES
of the Budget Workshop
Monterey Regional Water Pollution Control Agency
Board of Directors
June 13, 2011

1. CALL TO ORDER

The Budget Workshop for the Board of Directors of the Monterey Regional Water Pollution Control Agency was Called to Order by Chair Stefani at 7:04 p.m., on Monday, June 13, 2011, in the Board Room at 5 Harris Court, Building D, Monterey, California.

2. ROLL CALL

BOARD MEMBERS PRESENT:

Ron Stefani, Chair	Castroville Community Services Water District
Ramiro Cortez	Boronda County Sanitation District
Lou Calcagno	County of Monterey, Supervisor
Dan Burns	Marina Coast Water District
Libby Downey	Monterey, Councilmember
Chris Orman	Moss Landing County Sanitation District
Carmelita Garcia	Pacific Grove, Mayor
Gloria De La Rosa	Salinas, Mayor Pro Tem
Dave Pendergrass	Sand City, Mayor
Felix Bachofner	Seaside, Mayor
Vacant – Ex-Officio	U.S. Army, Representative

BOARD MEMBERS ABSENT:

Dennis Allion, Vice Chair	Del Rey Oaks, Councilmember
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MRWPCA STAFF PRESENT:

Keith Israel	General Manager
Brad Hagemann	Assistant General Manager
Rob Wellington	Legal Counsel
John Tiernan	Director of Adm Services/Deputy GM
Tom Buell	Director of Finance
Jennifer Gonzalez	Lead Engineer
Lindsay Synstebly	Customer Service Supervisor

Betty Nebb

Executive Assistant

OTHERS PRESENT: Frank Aguayo – City of Salinas
Carl Niizawa – Marina Coast Water District

3. **PLEDGE OF ALLIGENCE** – Led by Mr. Cortez.

4. **PUBLIC COMMENTS**

At 7:05 p.m., Chair Stefani opened and closed Public Comments.

5. **CONMMITTEE REPORTS AND RELATED ACTION ITEMS**

A. **Budget/Personnel Committee**

1. **Receive Committee Recommendations from BPC Meeting of June 3, 2011**

A. **Agenda Item 1 – CLOSED SESSION**

- i. **Conference with Labor Negotiator/Employee Organizations: GEA, MMEG, MEG**
- ii. **Personnel Matter/Public Employee Performance Evaluation: General Manager**

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

ACTION TAKEN: On a motion by Ms. Garcia, seconded by Ms. De La Rosa, the Board unanimously approved the Budget/Personnel Committee Minutes for Friday, June 3, 2011.

6. **2011/2012 BUDGET SUMMARY**

A. Budget Comments	General Manager
B. Rates/Rate Model Overview	Deputy General Manager
C. O&M Expenditures/Revenues	Deputy General Manager
D. Reserves/Fund Balances	Deputy General Manager
E. Capital Projects	Lead Engineer
F. Investments Update	Director of Finance

Mr. Israel provided a summary of fiscal year activities and notable items related to the budget cuts. He stated that this Agency has a regional focus that provides services for all our members and that we do so with efficient operations and financial stability. This Agency has distinguished itself as a leader in the wastewater and recycled water industry – operations will, however, not be jeopardized in spite of cost-cutting decisions made for the 2011/12 budget.

Mr. Israel reported that the proposed 2011/12 budget will include a three-year user rate increase (6.3%, 6% and 6%), raising the residential user rate from \$12 to \$12.75 per month effective July 1, 2011. The revenue increase is \$1.06M which

will mostly be used for the Capital Improvement Program (CIP) for FY 2011/12. He provided information comparing other wastewater user rates in our area and explained that several of our cities and sewer districts include their collection system costs to our bill often resulting in additional questions from the ratepayers.

Mr. Israel stressed it is not business as usual for staff and managers as decisions were made to cut costs in all departments – staff levels continue to decrease, positions are filled on an interim basis or by job-sharing, and employees' health care plan costs will not increase this year. Mr. Israel announced that the CIP will address renewal of infrastructure and will be funded by using fund reserves and pay-as-you-go funding from increased user fees and capacity charges.

Operational highlights during the year include:

- Successful operation of the Salinas River Diversion Facility providing river water for agricultural irrigation significantly reducing grower well pumping.
- 50+ billion gallons of recycled water for crop irrigation use has been produced and distributed since 1998 for the Salinas Valley Reclamation Project - quality of recycled water uncompromised.
- Efficient operations of the CSIP and SVRP have resulted in \$2.1m in budgeted funds being returned to the County.
- Preparing Brine Disposal Permit and Facility in support of Regional Water Project.
- Leadership meetings attempting to expedite the Regional Urban Water Augmentation Project (RUWAP) – need to develop storage of winter water.
- Restarted effort for completing pilot testing for Groundwater Replenishment Project.

Mr. Israel stated that our Grade V Treatment Plant continues to be very successful achieving another year of outstanding discharge permit compliance. A special project at the RTP has been the development of the Solar Project that provides energy for the tertiary plant (SVRP) at a greatly reducing energy costs. Our Community Relations Specialist coordinated the Second Annual Water Awareness Day Celebration and has collaborated with others to further the Pharmaceutical Drop Box Program, "Unflushables" Campaign for Pacific Grove, and the Grease Outreach Program.

Mr. Israel stated that over the last three years, 7 member entities out of 11 are new representatives to the MRWPCA Board. Staff welcomes the new members and the regional cooperation that continues to make this Board successful.

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Mr. Tiernan explained that input from the BPC and the Board assisted staff in making some significant cost-cutting measures while developing the proposed FY 2011/12 budget. The Committee also recommended pay-as-you-go funding to support the CIP, rather than bond financing. With careful review, staff was able to:

- Reduce the proposed user rate increase from 9% to 6%
- Reduce salary/benefits from a 4% increase to only 1%
- Decrease staff levels from 81 employees to 79
- Rather than having to use \$157k of reserves to balance the budget, able to transfer \$17k to reserves

The BPC directed staff to create a draft budget based on a user rate increase of 75 cents – an increase from \$12.00 to \$12.75 per month for residential users and Mr. Tiernan provided information showing that our rates remain lower than statewide comparisons. He stated that notification of the proposed rate increase was sent to ratepayers in early May and to date we have received 41 Letters of Protest. Mr. Tiernan explained the letters would be summarized at the June 27 Board meeting and will be available to Board members at the meeting. He also noted that based on the BPC and Board's recommendation, raising Capacity Charges from \$2,923 to \$3,100 effective July 1, 2011 be approved at the June Board meeting.

Mr. Tiernan provided a comprehensive review of the draft budget information. The main points included:

- Maintain the bond covenant – net income of 25% more than the bond debt cost
- Less than 5% increase in both revenues and expenditures
- Rate increase will result in \$1.06M in new revenue - \$986K will be used for CIP
- Revenues in brine receiving are declining
- Interest income extremely low
- Salary and benefits only slight increase of 1% – no COLA
- Increase in chemical costs

Mr. Tiernan stated the final Budget will be presented to the Board for approval on June 27. A Public Hearing will be held at that time to address any protests for the 75 cent user fee increase which, if approved by the Board, will become effective July 1, 2011. Rate increases for subsequent years (2012/13 and 2013/14) can also be addressed at that time.

Ms. Gonzalez, Lead Engineer, addressed the proposed BY 2011/12 Capital Improvement Program (CIP) and explained that staff is continuing to refine the short-, medium-, and long-term CIP. The focus this next fiscal year will be on

energy savings, energy audits, and marketing renewable energy credits. Capital Projects proposed for the next budget year will total \$3.8M and include these major projects:

- Regional Treatment Plant – \$3.4M
 - \$1.35M – upgrade to pump mixing of Digesters #2 and #3
 - \$1.35M – upgrades to bioflocculation which will result in significant energy savings
 - Roof replacements
 - Fire Alarm System – safety upgrades
 - Seismic evaluations of several buildings and tanks
- Pump Stations Repair/Enhancements – \$450k
 - Salinas Pump Station Capacity Enhancement environmental work
 - Coral Street Pump Station – electrical upgrades
 - Castroville Pump Station – influent structure coating and manhole rebuild
- Carryover Projects initiated in 2010/11 – \$1.7M
 - Cogen Facility upgrades and Renewable Energy Credits
 - Coral Street Pump Station structural upgrades
 - Reeside Pump Station odor control
 - Reeside Pump Station electrical upgrades
 - Phone System Replacement
 - Grit Removal Area Rehab
 - Plant Air System Rehab
 - Monterey Pump Station Stair Supports

Mr. Buell reviewed current investments and stated interest from investments continues to be less than in previous years. The majority of agency investment dollars are currently with LAIF earning 0.51% without any viable options available to earn more. He assured the Board that staff monitors US Treasury rates for opportunities to increase interest earnings.

Ms. Downey noted that in the spirit of regional cooperation she was pleased to learn about the collaboration between this Agency and the Landfill regarding the possibilities to enhance cogeneration from methane and biosolids. Mr. Hagemann added that the two agencies have assisted each other in a number of ways – sharing staff and equipment. Additionally we will be developing a MOU to look at a joint cogeneration facility with Landfill gas and digester gas. The gas characteristics are relatively similar, and we hope that we may eventually be able to provide power for the regional desalination plant as well as for shared needs. Ms. Downey asked if there were opportunities to work together in the shorter term and Mr. Hagemann explained that mechanics from each organization have been collaborating in an effort to offer services to each.

Chair Stefani called for Public Comments. Mr. Frank Aguayo, City of Salinas Civil Engineer, asked if there would be a Request for Proposals for the Salinas Conveyance Project this year. Mr. Hagemann confirmed that an RFP would be distributed for a programmatic EIR for the conveyance system.

[Chair Stefani adjourned Open Session and began Closed Session at 7:49 p.m.]

9. CLOSED SESSION

A. Conference with Labor Negotiator

- i. Agency Negotiator: Keith Israel, General Manager
- ii. Employee Organizations:
 - General Employees Association (GEA)
 - Mid-Management Employees Group (MMEG)
 - Management Employees Group (MEG)

B. Personnel Matter

- i. Public Employee Performance Evaluation: General Manager
- ii. Agency Negotiator: Budget/Personnel Committee

[At 8:14 p.m., the Board came back into Open Session.]

10. POSSIBLE ACTION ON CLOSED SESSION ITEMS

Legal Counsel stated the Board took up both items listed in the Closed Session agenda. With regard to Item A, the Board gave directions to the negotiator; for Item B, the Board concluded its evaluation of the General Manager and confirmed continuation of his service for another year, that an evaluation would be conducted in one year, and that no salary/benefit adjustments had been requested. Chair Stefani will provide the results of the evaluation to Mr. Israel. No other action was taken.

11. BOARD MEMBER COMMENTS

No comments.

12. ADJOURNMENT

With no further business, Chair Stefani adjourned the meeting at 8:16 p.m. to the next scheduled Board Meeting, to be held in the Board Room at 5 Harris Court, Building D, Monterey, California on Monday, June 27, 2011 at 7:00 p.m.

Keith E. Israel, General Manager
Secretary to the Board

Ron Stefani, Chair
MRWPCA Board of Directors