



APPROVED
July 25, 2011

MINUTES
of the Regular Meeting
Monterey Regional Water Pollution Control Agency
Board of Directors
June 27, 2011

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 Stefani at 7:00 p.m., on Monday, June 27, 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
Dennis Allion, Vice Chair	Del Rey Oaks, Councilmember
Dan Burns	Marina Coast Water District
Lou Calcagno	Monterey County, Supervisor
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:

Ramiro Cortez	Boronda County Sanitation District
Libby Downey	Monterey, Councilmember

MRWPCA STAFF PRESENT:

Keith Israel	General Manager
Rob Wellington	Legal Counsel
Brad Hagemann	Assistant General Manager
John Tiernan	Director of Admin Services/Deputy GM
Tom Buell	Director of Finance
Robert Holden	Principal Engineer

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Bill Ragsdale-Cronin	Lead Maintenance Mechanic
Robert Locke	WWTP Operator III
Lindsay Synstebly	Customer Service Supervisor
Mark Malanka	Maintenance Manager
Maddi Bell	Admin Support Specialist I
Betty Nebb	Executive Assistant

OTHERS PRESENT:

Robert Moreno – UVSWA
Tim Gillott – Salinas Resident
H. U. Siebeneick – Seaside Resident
Jerry Merritt – Monterey Peninsula Airport District
Frank Aguayo – City of Salinas
Jeff Krebs – City of Monterey
Carl Niizawa – Marina Coast Water District

3. **PLEDGE OF ALLEGIANCE** – Led by Mr. Bachofner.

4. **PUBLIC COMMENTS**

At 7:03 pm, Chair Stefani opened and closed Public Comments. No comments received.

5. **CONSENT AGENDA**

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

- A. Approve Minutes/Report for Regularly Scheduled Board Meeting of May 23, 2011.
- B. Approve Minutes/Reports for Board Budget Workshop of June 13, 2011
- C. Receive Financial Statements for April 2011
- D. Receive Comparison Percentage of Budget Expended through May 2011 vs. 2010
- E. Receive Check Register for May 2011
- F. Receive Waste Discharge Report, May 2011; NPDES Monitoring Report for May 2011; and Plant Flows and Effluent Quality for Connected Agencies, Plus Flow Charts for RTP, Salinas, Monterey Peninsula, Marina, Fort Ord, and Castroville for May 2011

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- G. Receive Actual vs. Budgeted Fiscal Year 2010/11 Expenditures for the Capital Improvement Program and Capitalized Equipment Fund
- H. Receive Actual vs. Anticipated Fiscal Year 2010/11 Revenues from Capacity Charges
- I. Adopt MRWPCA Resolution No. 2011-07, Approving a One-Year Memorandum of Understanding Between MRWPCA and the General Employees' Association
- J. Adopt MRWPCA Resolution No. 2011-08, Approving a One-Year Memorandum of Understanding Between MRWPCA and the Mid-Management Employees' Association
- K. Adopt MRWPCA Resolution No. 2011-09, Approving a One-Year Memorandum of Understanding Between MRWPCA and the Management Employees' Association
- L. Approve Blanket/Open Purchase Orders to Vendors over \$35,000 for FY 2011/12
- M. Adopt MRWPCA Resolution No. 2011-10, 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. 2011-11, Establishing the Agency Investment Policy and Guidelines for Fiscal Year 2011/12

6. PUBLIC HEARINGS

A. Lien Hearing for Delinquent Sewer Service Billing

Mr. Tiernan reviewed the lien process with the Board and explained that unlike other utilities, we are unable to disconnect services. As a result, the Health and Safety Code allows this agency to collect delinquent fees on the property tax rolls. In July, liens will be filed on behalf of the agency on approximately 2,900 sewer user accounts in the amount of \$813k and seven capacity fee accounts for nearly \$40k. He stated that the delinquent accounts represent about 5% of our customer base. Mr. Tiernan provided information on the lien payment history illustrating that 99% of outstanding fees are paid within five years.

Discussion followed and clarification was provided regarding properties that are bank owned. Often these are foreclosed properties and the outstanding fees will be paid when the property is sold. Ms. Synstebly, Customer Service Supervisor, noted that although the County does not charge us to file these liens, there are

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additional costs incurred by the customer in late fee charges and a \$30 fee for preparing the lien information.

Chair Stefani opened the floor for Public Comments: No public comments were received on this item.

ACTION TAKEN: On a motion by Ms. Garcia, seconded by Ms. De La Rosa, the Board unanimously approved MRWPCA Resolution 2011-12, Declaring Liens against Real Property for Delinquent Sewer User Charges, and MRWPCA Resolution 2011-13, Declaring Liens Against Real Property for Delinquent Sewer Capacity Charges.

B. MRWPCA Ordinance for User Fees and Capacity Charges

Mr. Tiernan explained the proposed ordinance will change the sewer user fees and capacity charges. Proposition 218 requires notification of our 55,000+ customers of the three-year user residential rate increase that has been recommended by the Board primarily to finance the Capital Improvement Program. He announced that 44 protest letters have been received – the protest trigger would be about 27,000 letters for this agency not to implement this rate change – and that staff has prepared a response to each letter received. Additionally, in early February, Municipal Finance Service presented a study recommending our base rate for connection fee/capacity fee be adjusted from \$2,923 to \$3,100, an increase of 6%. Mr. Tiernan noted that this new rate is still well below the state-wide average cost.

Mr. Allion asked that if budgeted capital expenditures are not met, would we be able to reduce the fee increases and project them into the future when there is more immediate cash flow needs. Mr. Tiernan responded affirmatively and stated that rates noticed through Prop 218 represent the maximum amount that can be levied – the Board could recommend a lesser increase each year. Further discussion noted that the members seem to be in favor of measured increases rather than a large increase in any one year. Mr. Wellington added that while the rate increases are anticipated to be as indicated in three steps, any revisions would be referred back to the Board for review in consideration for each new FY budget. Mr. Bachofner asked if revenue funds were not expended for CIP could this agency legally save the money; and Mr. Wellington responded that the reserves could hold the funds, however, interest rates are not very favorable at this time. Mr. Pendergrass added that in the past this agency has held the line on increases and that the increase this year is particularly important to help with major improvements needed in the infrastructure to support entity needs. Mr. Wellington added that this agency has been conscientious about cutting expenses and maintaining the lowest possible rates. He concluded stating that it seems to be a general policy for this

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Board to look each year and consider any proposed increase at a smaller incremental level.

Ms. Garcia asked if the agency were able to consider discounts for low income customers, and Mr. Tiernan stated that as a grant-funded organization we are not allowed to provide a discount to any account class. Mr. Wellington added that everyone has to share in the equivalent cost of the improvements and operating expenses; and in fact, Prop 218 prohibits a lower rate for senior citizens or low income as that difference has to be covered by other customers unless there is a separate source of income available to make up the difference. In the agency's situation, this is not the case.

To Ms. Garcia's inquiry to an owner's question about receiving multiple bills for his properties, Ms. Synstebly explained that by law the names have to match in order for the billing company to combine accounts. The bills are addressed based on how the properties are recorded by the County and the laws are very strict regarding this. The Customer Service Department has, however, reviewed and attempted to consolidate many of these multiple accounts

Chair Stefani opened the floor for Public Comments:

Mr. Tim Gillotte, resident of Salinas, stated that his understanding is that the rate increases are due to the rising cost of treating waste water and asked for an explanation of why a single person household with very low water usage would be charged as much as other residents. He related that his water bill would provide a better base for calculating the amount of sewer service he is charged – over the past year his water usage averaged only 53.28 gallons per day. He stated he felt forced to subsidize houses with 10 or more people in them.

Mr. Uli Siebeneick, resident of Seaside, stated he has concerns about our budget process and has had discussed this with Mr. Tiernan. He stated that last year there was an 8% increase in fees to \$12, but the budget only showed a 5% increase in revenues. This year the increase is 6.3% in fees, but the budget only shows a 4.95% increase - so the math doesn't add up. He stated the budget just doesn't make sense.

Mr. Buell explained that this agency has over 55,000 residential accounts and since the wastewater flows are not metered, rates are established by categories. The larger users, commercial and industrial, pay more for larger flows. To distinguish one/two people in a residence would be extremely difficult and require double or triple the staff to monitor. Mr. Wellington added that the use of EDUs (equivalent dwelling units) has been the factor in establishing and collecting user fees for at least 35 years. It is a universally accepted standard based on studies by experts

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who have arrived at calculations to determine average flows for each category. He added that while there is some inequity built into one person versus nine living in one residence, public agencies have had to proceed in absence of a better system that is reasonably economical to monitor. Mr. Israel noted that information from water utilities is considered confidential and not available to us and would not necessarily be helpful to measure wastewater as water usage will include landscape irrigation as well as other uses.

Discussion followed with comments requesting staff to continually look for new ways to make the rate calculations equitable. Mr. Buell added that when the agency started, over 20 years ago, the average household flows were calculated at 250 gallons per day; this is has been closely monitored through flow studies in different areas and is now calculated at 189 gallons per day.

Mr. Tiernan addressed Mr. Siebeneick's questions about the budget revenues and clarified that residential user rates are going to be 6.3%, but there are also over 9,000 commercial customers whose rates vary greatly (some higher, some lower). He stated that all revenues expected in the next fiscal year will be 5.92%. Secondly, this agency is required to have net revenues of 25% more than expenditures to meet the bond covenant. Mr. Tiernan agreed to continue the conversation with Mr. Siebeneick if he had additional questions.

Mr. Bachofner noted the responses to protest letters and complimented staff on the details provided to address some of the concerns that were brought up.

Mr. Calcagno asked about the liens on homeowner associations and Ms. Synstebly explained that many are strip malls and apartment complexes and most are paid within one year.

ACTION TAKEN: On a motion by Mr. Allion, seconded by Mr. Burns, the Board, on a roll call vote, unanimously adopted MRWPCA Ordinance No. 2011-01, Amending Ordinance No. 2000-02 in part to change the Sewer Service User Charges and Capacity Charges, effective July 1, 2011.

C. Proposed Fiscal Year 2011/12 Budget

Mr. Tiernan explained the Board was being asked to adopt the MRWPCA 2011/12 Budget. The Board has had at least four opportunities to review and provide input to staff on the budget including the Budget Workshop held two weeks ago. This \$23.3M budget includes a \$0.75 residential user rate increase and commits 90+% of the revenues gained by the rate increase to be used for capital improvements. The Board discussion recommended minimum rate increases to support the

needed Capital Improvement Program without incurring any new debt. Mr. Tiernan announced that there is no salary COLA and there will be a decrease in staff positions by two for the next budget year.

To Mr. Burns' question, Mr. Tiernan responded that Urban Reclamation has some work scheduled and includes a budget amount of \$280k for recycled water projects including groundwater replenishment.

Chair Stefani opened the floor for Public Comments:

Mr. Aguayo, City of Salinas Public Works, asked for clarification regarding the amount shown for the Salinas Pump Station Capacity Enhancements. Mr. Hagemann explained that the amount budgeted should be \$250k for the CEQA work, not \$150k as shown in the budget. He reassured Mr. Aguayo that the amount would be corrected and that the RFP for the project work was proceeding. *[Upon checking with Engineering staff after the meeting, Mr. Hagemann determined that staff estimated a budget amount of \$150,000 would be sufficient for the CEQA work. If additional budget is needed for the project, staff will bring that to the Board at the time of contract award.]*

Mr. Uli Siebeneick, resident of Seaside, asked once again why the amount of the rate increase does not correlate with the anticipated revenues. Mr. Tiernan stated that the residential rate increase does not include the revenues from the 9,000 commercial accounts with rates that are different than the residential rate level. He also noted that the revenues do not include the reimbursements for Reclamation O&M expenses.

ACTION TAKEN: On a motion by Mr. Calcagno, seconded by Ms. De La Rosa, the Board unanimously approved the MRWPCA Fiscal Year 2011/12 Budget.

7. COMMITTEE REPORTS AND RELATED ACTION ITEMS

A. Recycled Water Committee

1. Receive Committee Recommendations from RWC Meeting of June 9, 2011

Item 1 – Update on Salts in Potable and Recycled Water and Grower Issue with Soil Salinity

Mr. Holden reported that since 2000 we have monitored sodium levels at various locations within and close to the CSIP system. A recent letter from Mr. Dale Huss to the Salinas Valley Reclamation Project growers noted that water delivered through this project is "suitable quality for agricultural use, but the growers need to be aware of the salt sensitivity of the crops and amend properly, and maintain good drainage." Mr. Holden provided a report for Committee review that provided

data on chloride, sodium and nitrogen levels in recycled water, Salinas River water and water from the Blanco Drain and suggested possible methods to reduce the levels in the CSIP irrigation water.

Mr. Calcagno stated that as conservation issues increase, less water is used and salt and chlorine levels will go higher. He cautioned that there may be a time when the County will have to mandate reduction in the use of chlorines and sodium. Mr. Bachofner offered that if all water were treated by reverse osmosis (RO), it could eliminate the salinity and there could be an additional cost benefit because dual piping systems would not be needed. He asked if an analysis had ever been done to see if this might be cost effective. Mr. Holden stated that RO would be the most effective way to eliminate salts, but the process is fairly expensive. Mr. Israel added that our primary mission is to treat wastewater and dispose of it. Thus, any cost of controlling the recycled water salt level would be passed to the recycled water customers, not just regular users. He noted that salt levels have actually been declining slightly since 2006.

Discussion followed regarding the use of sodium or potassium chloride in water softeners, and Mr. Holden explained that studies now show that there is some concern also about increasing levels of chloride. Mr. Israel noted that newer water softeners are far more efficient and use less salt. Mr. Holden stated that about 1/2 of the salt comes from drinking water, 1/3 of the salt from water softeners and the rest from other additives being used. He indicated that further studies will be completed to monitor these levels.

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

Item 2 – Update on Regional Water Project and the Community Involvement Forum

Mr. Israel announced that the Community Involvement Forum was postponed and has not yet been rescheduled. These meetings are public and are good source of information. Additionally, he referred to the www.RegionalWaterProgram.org website as a place to get updated information about the regional project including the Project Implementation Schedule and costs for the project. He noted that minutes from the first meeting of the Forum were posted on this website.

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

Item 3 – Consider Preparation of Request for Proposal (RFP) for Public/Private Development Support for Groundwater Replenishment Program

Mr. Israel reported that last fall at the WaterReuse Conference, there was an initial meeting with staff from GE Power and Water, manufacturers of membrane filtering

equipment, to discuss a possible public/private partnership. Interest continues and now staff would like authorization from the Board to develop an RFP to determine if there are other organizations that might be interested in a public/private project to develop the Groundwater Replenishment project. Because of the limitations for Federal and State grants, this may be a viable alternative to proceed with studies for the project. Mr. Israel indicated staff anticipates that RFPs could be ready for consideration and review by the RWC in late summer or early fall.

RECOMMENDATION: On a motion by Ms. Downey, seconded by Mr. Bachofner, the Committee recommends that the full Board authorize staff to proceed with an RFP to solicit interest in a public/private partnership to develop the Groundwater Replenishment Program.

ACTION TAKEN: On a motion by Mr. Bachofner, seconded by Ms. Garcia, the Board unanimously accepted the Committee's recommendation and approved the Recycled Water Committee Minutes/Report of June 9, 2011.

8. INFORMATIONAL ITEMS

A. Reclamation Project Status Summary

Mr. Israel stated the reclamation status summary has been updated; and with the rubber dam in operation, we continue to accomplish the goals of the project.

B. Strategic Planning Goals (2011-2014) and One-Year Objectives Update

Mr. Israel stated the goals have been updated.

C. Status Report of Other Significant Projects

Mr. Hagemann stated that as a result of input from the Strategic Planning Workshop to provide precise and current information, staff will continue to highlight work on significant projects not specifically included in the current goals and objectives.

D. Operational Report

Mr. Hagemann noted the report and encouraged members to provide feedback on the effectiveness of this report to provide information on plant operations.

9. STAFF REPORTS

A. General Manager/Assistant General Manager/Legal Counsel

Mr. Israel announced that he would be participating on a panel at the CASA Conference in San Diego in August to discuss agencies sharing services. He noted that our agency has taken a lead on the operational side to be a resource

for other public districts. There seems to be great interest in expanding this to include administrative support and he will provide a full report to the Board after the conference.

B. Presentation(s): History – Part 3, General Manager Keith Israel

Mr. Israel provided an update on the Joint 3-Way Recycled Water MOU among MCWRA, MCWD and MRWPCA. This planning level agreement relates to the Regional Water Supply Program. The purpose is to facilitate analysis of proposed recycled water projects with the implied goal to use all available recycled water. Within the MOU, it states there is availability of secondary effluent in the winter time of 6,500 AFY currently going out to the ocean. That water could be treated to recycled water. Eventually, with hoped-for growth in development, we would have the capability of get to 10,000 AFY of extra waste water that could be used for recycled water rather than being discharged to the ocean. The preferences for this recycled water would be for groundwater replenishment, seasonal storage and other urban reuse such as recycled water to the Monterey Peninsula.

Mr. Israel noted an important point in the agreement is that if the water is not used by urban customers, there would be consideration to use it for additional agricultural irrigation projects, including an expansion of CSIP. He also referred to Exhibit A (MCWRA Demand Schedule) showing the maximum amount of water that can go to CSIP; Exhibit B (Seasonal Cap on Urban Recycled Water) limits for summer water. Mr. Israel then presented a draft chart that illustrates how the recycled water could be distributed among the various projects. The current plant flows are about 20 mgd (22,000 AFY). The chart shows that the distribution of recycled water is sufficient for current and proposed projects including:

- a. Castroville Seawater Intrusion Project (CSIP)
- b. Regional Urban Water Augmentation Project (RUWAP)
- c. Groundwater Replenishment Project (GWR)
- d. Urban winter storage
- e. Water storage for CSIP expansion

Mr. Israel stated that this chart would be further refined, but serves now as a draft to present the concept. He stressed that 1) there is a need to move fairly quickly to confirm the urban use for recycled water and 2) to illustrate that there will be enough water for the various projects; and with water storage, the possibility exists to further expand the use of recycled water.

Discussion followed and included comments about the value of the chart and the clarity it provided for the Board. Mr. Burns asked if the anticipated costs for the urban recycled water would be about \$2,000 AF; and Mr. Israel responded stating that was the preliminary cost. While the trend in construction costs remains low,

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this seems to be a good time to move forward. Mr. Israel expressed the hope that MCWD would continue the dialogue to work together to make this happen.

Mr. Calcagno stated that everyone on the Monterey Peninsula has to get involved and be ready to pay for the project. All that is needed is a pipeline; and although not all would directly benefit from the recycled water for golf courses and playgrounds, everyone will have to support this effort. Mr. Israel noted that the CSIP and SVRP projects were more easily funded because the growers had a direct involvement if seawater intrusion was not stopped. The Peninsula, mostly residential customers many of whom would not initially see a direct benefit of recycled water, may need a different approach. Mr. Pendergrass expressed his sense that the community seems very supportive of the recycled water and replenishment projects because they represent reuse of existing water – not a new water source. He also encouraged the opportunity for Board members to visit the groundwater replenishment project in Orange County. Mr. Allion added that the Board Strategic Objectives relate specifically to the use of recycled water and there is a need for the Board to focus on these goals on a monthly basis.

10. CORRESPONDENCE

A. Letters of Protest from Proposed User Rate Increase

Mr. Israel noted that a response was sent to each customer who submitted a protest letter and he congratulated staff for the efforts to provide individual feedback to each customer.

11. BOARD MEMBER COMMENTS

Ms. Garcia announced that Mr. Hagemann appeared with her on “Your Town” earlier this evening. He provided some slides that worked well for the program and provided really good information regarding MRWPCA services and rates. She thanked him for his participation.

Mr. Allion referred to the employee MOUs that were approved by the Board through the Consent Agenda. He wanted to emphasize that staff levels at this agency have been cut consistently over a period of time and he would challenge any other agency or government entity to make the same claim. He applauded staff for doing such a terrific job and stressed that this includes every single employee in the organization for not asking for a COLA and for recognizing that the world is a different place now - that there are people for whom an increase of \$0.75 a month means a lot. The fact that staff has agreed to “hold the line” to keep costs down is very commendable. He also noted that this agency has done

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a good job in trying to find the balance of providing excellent service and safety while maintaining the facilities at a reasonable cost.

Mr. Hagemann offered kudos to Mr. Tiernan for his efforts to finalize the budget even though he had just had surgery for a torn retina and was told by his doctor to stay home from work. Chair Stefani offered that staff once again had provided a thorough review of the budget process and confirmed with the newest Board member, Mr. Bachofner, that he had received a good education on the budget this year. Mr. Tiernan noted his thanks to Mr. Buell and Ms. Synstebly for their assistance.

12. ADJOURNMENT

At 8:29 pm with no further business, Chair Stefani adjourned the meeting to the next regularly scheduled Board Meeting to be held in the Board Room at 5 Harris Court, Building D, Monterey, California on Monday, July 25, 2011 at 7:00 pm.



Keith E. Israel, General Manager
Secretary to the Board



Ron Stefani, Chair
MRWPCA Board of Directors