



**MONTEREY COUNTY WATER RESOURCES AGENCY  
BOARD OF DIRECTORS**

**BOARD MEMBERS:**

Richard Ortiz, Chair  
Claude Hoover, Vice Chair  
Silvio Bernardi  
Ken Ekelund  
Mark Gonzalez  
David Hart  
John Huerta  
Mike Scattini  
Deidre Sullivan

**STAFF:**

David Chardavoyne, General Manager  
Robert Johnson, Assistant General Manager  
Brent Buche, Assistant General Manager  
Cathy Paladini, Finance Manager  
Wini Chambliss, Clerk to the Board  
Patrick McGreal, Deputy County Counsel

**Special Board of Directors  
Budget Workshop for Fiscal Year 2014-2015**

**March 31, 2014  
9:00 a.m.**

**MINUTES**

1. **The Special Board of Directors Budget Workshop was called to order at 9:10 AM by Board Chair, Richard Ortiz.**
2. **ROLL CALL**  
Present: Directors Richard Ortiz, Claude Hoover, Silvio Bernardi, Ken Ekelund (@ 9:30 AM), Mark Gonzalez, David Hart, John Huerta (@ 9:40 AM) and Mike Scattini (@ 10:02 AM)  
Absent: Directors Deidre Sullivan  
A quorum was established.
3. **PUBLIC COMMENTS:** None.
4. **BUDGET WORKSHOP FOR FISCAL YEAR 2014-2015**
  - A. Cathy Paladini, Finance Manager, introduced staff from the Monterey Regional Water

Pollution Control Agency (PCA), who would make a report on the PCA budget for FY 2014-15.

John Tiernan, PCA's Director of Administrative Services, provided a summary of their requested charges for FY 2014-15. Mr. Tiernan presented the following background information related to PCA's budget challenges:

- March 5, 2014: WRA requested PCA to reduce budget by \$350K
- March 11, 2014: WRA increased Demand by 14%
- March 18, 2014: PCA submitted revised draft budget based on increased demand
- March 25, 2014: WRA requested PCA to reduce budget by \$920K

Mr. Tiernan then discussed PCA's reduction targets related to CSIP (\$345,000), SVRP (\$505,000) and SRDF (\$68,000), and itemized some of the reductions included in those targets. He then outlined budget reduction recommendations developed by PCA staff, including the following:

- 1) Hold special meeting with the Water Quality and Operations Committee early in April to carefully consider potential reductions as:
  - a. Some items could lead to permit violations/substandard water quality/food safety issues;
  - b. Some items could result in insufficient water to growers during peak irrigation periods; and,
  - c. Soil monitoring is important and should not be reduced as it provides information on suitability of soil to grow crops at reasonable yields
  - d. Further caveat that suspicion was avoided suspicion during the 2006 spinach contamination incident due to PCA's frequent sampling and lab analysis that confirmed the safety of their water.

Board Questions/Comments/Concerns (*Staff responses are emboldened and italicized*):

1. How much time are you requesting? ***Another month.***
2. What does the increase of time do to the Agency's submission of the budget to the County?
3. What is the drop dead date for changes at the CAO's office? ***We submitted the Agency's preliminary budget last week since it had not yet been approved by the Board of Directors.***
4. PCA proposed \$720K in budget reductions.
5. Wasn't it planned for a couple of years to replace the SCADA? ***Yes.***
6. A certain amount of testing is required for reliability of the water.
7. There is a concern about the SCADA system with only two sources of water and not three.
8. PCA requested a reduction in the USBR loan (\$442K to \$120K) for capital projects for

SVRP to make the SCADA improvements. This is not CSIP money; but we could improve the SCADA with it.

9. Have there been any updates on the indirect charges process? *No. The budget you approve will not include any agreed upon protocol for indirect charges. The County Administrative office will not accept the 10% increase in indirect charges that have been submitted in the past.*
10. Is there a timeframe for this? *We have requested that meetings be established; but, that has not yet taken place.*

John Baillie, Monterey County resident, inquired why the SCADA was not repaired when the money was available. He also stated reserves are set aside for emergencies, and this is an emergency. Therefore, the money needs to be used now to repair the SCADA.

#### B. Monterey County Water Resources Agency Proposed FY 2014-2015 Budget

Ms. Paladini walked the Directors through the Requested Budget documents. She informed Directors the Agency is working toward achieving a structurally balanced budget where ongoing expenditures do not exceed ongoing revenues, and fund balance is not utilized to fund ongoing expenditures.

Ms. Paladini reviewed the following budget areas:

1. Ongoing revenue vs. ongoing expenditures, current FY 2013-14 year end estimate;
2. Revenues vs. expenditures for FY 2013-14 Current year-end estimate;
3. FY 2013-14 Current Year-Estimate;
4. Deferred maintenance items not included in FY 2014-15 budget;
5. Ongoing revenues vs. ongoing expenditures for FY 2014-15 Requested Budget;
6. Explanation of ongoing revenue and expenditures fund balance decrease;
7. One time revenues vs. one-time expenditures for FY 2014-15 Requested Budget;
8. Revenues vs. expenditures for FY 2014-15 Requested Budget;
9. Requested FY 2014-15 Budget Total Revenue & Expenditures; and,
10. Anticipated one-time revenues not included in FY 2014-15 Requested Budget.

General Manager David Chardavoyne discussed the importance of securing the Agency's financial health by receiving outstanding insurance reimbursements, payment for agreements etc.

Ms. Paladini then discussed the Agency's strategy for the future:

1. Structurally balance the budget for FY 2014-15
  - a. Ensure expenditures do not exceed revenues
  - b. Prioritize infrastructure maintenance deferral including MRWPCA projects
2. Seek and acquire necessary ongoing revenues

- a. Secure funding sources for Water Right Permit #11043 and the Long-Term Channel Maintenance Project;
- b. Stabilize hydroelectric revenue;
- c. Make a determination on annexations cases;
- d. Evaluate Agency-collected fees;
- e. Resolve MRWPCA indirect cost issue.

Board Questions/Comments/Concerns (*Staff responses are emboldened and italicized*):

1. Are there specific protocols in the Biological Opinion that the Agency is required to perform? Are we doing more than what is required? ***We are actually doing less than what is specified in the Biological Opinion.***

Ms. Paladini discussed a plan to prioritize capital asset projects, including:

1. Recommending the reinstatement of the CAMP program for Zone 2C SVWP;
2. Better manage Reclamation Equipment Replacement Reserves
  - a. \$223K in Bureau and Equipment Replacement Reserves has been returned to the Agency (\$200K will be utilized for energy costs).
  - b. Document the intent and target amount, and also identify when the amount should be utilized and/or replenished; and,
3. Re-evaluate how the Agency will utilize Restricted Reserves.

Ms. Paladini also discussed the Agency's reserves: non-discretionary, discretionary, and mixed funds (funds that include Ad Valorem taxes [discretionary revenue] and non-discretionary assessments).

**Director John Huerta requested a list of the Agency's debt payments.**

Ms. Paladini then outlined the Agency's recommendations (these do not include PCA's Budget Reductions):

1. Reduce PCA's Requested Budget to minimize the rate of Fund balance burn in Funds 131, 132 and 134;
2. Discontinue work on projects that have no identified funding source: i.e. Water Permit Right #11043 and Long-Term Salinas Channel Maintenance Program);
3. Close \$1.6M gap between ongoing revenue and ongoing expenditures, including
  - a. Evaluating the amount of revenue generated at hydroelectric facility prior to spending anticipated revenue;
  - b. Minimizing the structural imbalance of \$156,840; and,
  - c. Utilizing one-time revenues of \$563K when received to reduce ongoing expenditures before spending;
4. Authorize one-time expenditures ***only*** when one-time revenues become available and after all ongoing expenditures have been paid (wait until Cal-Am, SRDF Settlement and

insurance reimbursements are received and reserves are replenished.

APPROVED

Board Questions/Comments/Concerns (*Staff responses are emboldened and italicized*):

1. Is there any authorization right now to clean up the river now? ***We have money for permitting; but, not for actual clean-up of the river.***
2. With regard to upgrading the SCADA, if there is money available, will that make change in the amount of reduction to PCA's budget? ***Yes, for the SVRP...not CSIP.***
3. Page 13 – the Additional general liability notes a \$495K increase.
4. We must tell the community leaders we need help with the two projects, set a timeline and notify that we must discontinue work on Water Rights Permit #11043 and the long-term Salinas River Management Plan if we do not have appropriate funding. ***Staff can achieve the next milestone, the Notice of Preparation, this year. The draft EIR is due July 15, 2015 with an estimated cost of \$1,000,000 that is not in the Requested Budget.***

The meeting was adjourned at 10:43 AM.

**5. PUBLIC COMMENTS ON CLOSED SESSION AGENDA ITEMS:**

At 12:05 PM, the Board of Directors reconvened to receive Public Comments on Closed Session items. No public comments were made.

**6. RECESS FOR LUNCH AND CLOSED SESSION**

---

The Board recessed for lunch and Closed Session @ 12:08 PM.

---

SUBMITTED BY: Wini Chambliss  
APPROVED ON: April 28, 2014

---

Wini Chambliss, Clerk to the Board



**MONTEREY COUNTY WATER RESOURCES AGENCY  
BOARD OF DIRECTORS**

**BOARD MEMBERS:**

Richard Ortiz, Chair  
Claude Hoover, Vice Chair  
Silvio Bernardi  
Ken Ekelund  
Mark Gonzalez  
David Hart  
John Huerta  
Mike Scattini  
Deidre Sullivan

**STAFF:**

David Chardavoyne, General Manager  
Robert Johnson, Assistant General Manager  
Brent Buche, Assistant General Manager  
Cathy Paladini, Finance Manager  
Wini Chambliss, Clerk to the Board  
Patrick McGreal, Deputy County Counsel

**March 31, 2014**

**MINUTES**

**Chair Richard Ortiz called the Special Meeting of the Board of Directors to order at 12:05 PM.**

**Directors Present: Richard Ortiz, Claude Hoover, Silvio Bernardi, Ken Ekelund, Mark Gonzalez, David Hart, John Huerta and Mike Scattini**

**Directors Absent: Deidre Sullivan**

**A quorum was established.**

**Chair Ortiz read the Closed Session agenda into the record and asked for Public Comments regarding that item. No members of the public were present, and no comments were made.**

**The Board of Directors adjourned to Closed Session at 12:08 PM.**

**1. RECONVENE MEETING/REPORT FROM CLOSED SESSION**

Chair Richard Ortiz reconvened the meeting after lunch and Closed Session @ 1: 07 PM

A quorum was again established.

Deputy County Counsel Patrick McGreal reported the Board received status reports on four items listed on the Closed Session agenda, and provided direction on one matter (the Second Amendment to the Settlement Agreement).

**2. PLEDGE OF ALLEGIANCE (led by Director David Hart).**

**3. PUBLIC COMMENTS**

Nancy Isakson, Salinas Valley Water Coalition, questioned whether the Amendment mentioned in closed session was available for public review. Staff responded the document is not available as the process has not yet been finalized.

Dale Huss, Sea Mist Farms, reported on a process to reduce nitrates, calcium and magnesium from drain/tiled water for reuse. Mr. Huss also discussed stated his intention to attend the PCA's March Board meeting to discuss PCA's intent to take Salinas Valley recycled water for use in the Groundwater Replenishment Project. Mr. Huss asked whether the Agency had developed strategy in the event PCA votes to go to arbitration.

Paul Wagner, Monterey County resident, discussed his development of a process for cleaning drain/tiled water for reuse. Mr. Wagner stated the equipment used in this process is easily scaled up for large volumes of water for reuse, with an added benefit (byproduct) of producing good fertilizer. Directors requested this item to be placed on a Board Agenda for information and discussion, to which County Counsel agreed.

Norm Groot, Monterey County Farm Bureau, acknowledged the Agency's response to the letter he presented to the Board at the last meeting, and offered appreciation for the information provided during the Budget Workshop.

Nancy Isakson, Salinas Valley Water Coalition, voiced her appreciation for the information made available on the Agency's website relating to the Budget Workshop. With respect to the Groundwater Replenishment Project, Ms. Isakson stated the Agency should develop a plan should the PCA go to Arbitration, and that plan should include input from the Grower community.

#### **4. CONSENT CALENDAR**

- A. Approve purchase orders/contracts in excess of \$500 and credit card purchases over \$500 in January/February 2014.
- B. Approve the Monterey County Water Resources Agency Heavy Equipment Plan for FY 2014-2015; and, authorize the General Manager to purchase the equipment in accordance with the Heavy Equipment Plan.
- C. Approve the Monterey County Water Resources Agency Light Vehicle Replacement Plan for FY 2014-2015; and, authorize the General Manager to purchase the vehicles in accordance with the Light Vehicle Replacement Plan.
- D. Approve the Appendix 2015 Supplement to the Monterey County Water Resources Agency Technology Plan – Phase IV (ATP IV).
- E. Approve and recommend that the Water Resources Agency Board of Supervisors approve the Water Resources Agency's FY 2013-2014 Three-Year Forecast for inclusion in Monterey County's Countywide Three-Year Forecast for FY 2014-15 through FY 2016-17 Report.

Public Comments: None



---

**ACTION:**

**Motion and Second by Directors John Huerta and Claude Hoover to approve the Consent Calendar.**

**Motion carried unanimously.**

---

**5. HOLD A PUBLIC HEARING FOR THE MONTEREY COUNTY WATER RESOURCES AGENCY'S FISCAL YEAR 2013-2014 REQUESTED BUDGET**

Chair Richard Ortiz declared the Public Hearing open for comment. No members of the public provided input.

---

**ACTION:**

**Motion and Second by Directors David Hart and Claude Hoover to close the Public Hearing.**

**Motion carried unanimously.**

---

**6. ACTION ITEMS**

- A. Approve the minutes of the Regular Board of Directors meeting held on February 24, 2014.

---

**ACTION:**

**Motion and Second by Directors John Huerta and Mark Gonzalez to approve the Minutes of the Regular Board of Directors meeting held on February 24, 2014.**

**Motion carried unanimously.**

- 
- B. Consider approving the Monterey County Water Resources Agency's Fiscal Year 2014-2015 Requested Budget; and, recommending approval of the Requested Budget to the Monterey County Water Resources Agency Board of Supervisors.

Cathy Paladini, Finance Manager, recapped the material presented during the morning's Budget Workshop. She noted the Requested Budget excluded reductions provided by the MRWPCA during the Workshop. At this time, the Board would be approving the budget with a placeholder for PCA reductions agreed upon by PCA and MCWRA. Ms. Paladini reviewed the Agency's recommendations regarding the Budget, along with a discussion of the Agency's movement toward achieving a structurally balanced budget.

Board Questions/Comments/Concerns (*Staff responses are emboldened and italicized*):

1. This morning's discussion included risk pool expenses. What were the Agency's previous risk pool expenses? What are the reasons for the increase? What are the elements of the increase and their associated costs? ***In the past, the Agency's annual risk expense was approximately \$100,000. This fiscal year, the Agency was told that our general liability would increase approximately \$500,000, with some of the claims***

*being designated as recoverable and some as unrecoverable. Coastkeeper litigation and the Cal-Am Settlement Agreement were included in the risk expenses. The Cal-Am Settlement Agreement was separated into four (4) separate non-recoverable claims. The Agency contests this division and contends it should be one recoverable claim with a single deductible of \$20,000.*

2. We had been told the Agency would not have to assume Regional Desalination Project costs. Is this a back door way to pass those expenses to the Agency? **General Manager David Chardavoyne responded that he was told the Agency was not responsible for legal costs post-August 2011.**
3. Do we know when the legal costs were incurred...pre or post August 2011? **General Manager Chardavoyne stated his belief these legal costs were for actions that took place after August 2011.**
4. If we knew we were going to be liable for costs regarding the RDP, we may have made different management decisions.
5. It seems we are being asked to make hasty decisions with incomplete information. It is important that the Agency be in sync with the County's Budget approval process, and that there is enough time to perform necessary budget analyses. **We are asking Directors to approve this placeholder budget to continue Agency operations. At the last Board meeting, we received new information regarding the demand schedule and it took much time to develop this budget.**
6. The budget is important enough to start the process much earlier (November/December) to be in sync with the County's budget process.
7. It is important that the Agency remain transparent with its budgeting process.

General Manager Chardavoyne stated that members of staff have been asked to come forward with suggestions for budget reductions, including reductions in allocations for consultants.

Ms. Paladini explained it appears that litigations, general liability increases, and unanticipated repairs due to aging infrastructure have caused the hole in the Agency's budget. We must determine how the Agency will pay for unbudgeted projects such as Water Rights Permit 11043 and the Long-Term Salinas River Management project. Zones 2B, 2Y and 2Z will not be asked for COLA increases.

Nancy Isakson suggested the Agency consider holding the Budget Workshop a month earlier. Regarding unanticipated increases in risk pool expenses, the Agency is paying for something outside of the Agency's control. Regarding discontinuing work on projects that drain ongoing revenue streams, if a project is developed for 11043 and the long-term Salinas River Management program with community input, the public will fund it. Funding opportunities should be investigated.

Darlene Din stated it is important Agency funding be transparent and community members are afforded the opportunity to participate and provide input.

**Chair Ortiz left the dais at 2:07 PM and returned at 2:10 PM. During his absence, Vice Chair Claude Hoover assumed control of the meeting.**

Norm Groot, Monterey County Farm Bureau, stated discontinuing work on Water Rights

Permit #11043 and the long-term program for the Salinas River was too harsh. The Agency should be seeking creative ideas to continue working on projects such as these. There are funding sources available, in both the short and long term. Discontinuing work at this point is not an option.

Board Comments/Questions/Concerns (*Staff responses are emboldened and italicized*):

1. We cannot afford to just cut things off.
2. At this point, leadership may come from the community.
3. We will never be able to recover the water right if we do not follow through this process.
4. We need to give Staff clear directions regarding the two projects.
5. Are you asking Directors to approve the budget as recommended; but, in the future and after further consideration, we will meet again to discuss those and at that time take further action. ***Yes, the Agency will have an opportunity to make modifications prior to finalization of the Budget by Monterey County.***

Cathy Paladini informed Directors the County Budget Committee meets monthly and Board members will be advised when they will occur so they can provide input at that level.

General Manager Chardavoyne asked Directors to keep in mind the anticipated one-time revenue of approximately \$3 million which will improve the Agency's budgetary position once received.

Public Comments:

Brad Hagemann, Assistant General Manager MRWPCA, asked what in the audit might change

---

**ACTION:**

**Motion and Second by Directors Ken Ekelund and Claude Hoover to approve the Monterey County Water Resources Agency's Fiscal Year 2014-2015 Requested Budget excluding MRWPCA Indirect Costs; and, recommending approval of the Requested Budget, excluding MRWPCA Indirect Costs, to the Monterey County Water Resources Agency Board of Supervisors.**

**Motion carried unanimously.**

- 
- C. Consider accepting the Pajaro River Bench Excavation Project Phase II Improvements; and, authorizing the General Manager to release any remaining and eligible construction funds in compliance with the Cost-Share Agreement with Santa Cruz County Flood Control and Water Conservation District, Zone 7.

Manuel Quezada, Senior Engineer, reviewed prior actions with regard to the Pajaro River Bench Excavation Project. He apologized for not submitting this report to the Finance Committee. Mr. Quezada reported the project was completed on October 7, 2013 ahead of schedule, and a Notice of Completion was filed January 28, 2014. Staff conducted a final inspection of the project and recommended accepting the improvements. To date, the Agency has paid \$1,333,011.79 and has been reimbursed \$1,126,855.69 from the

Department of Water Resources. Monterey County and the Agency will be fully reimbursed for the entire Bench Excavation Project.

Board Comments/Questions/Concerns (*Staff responses are emboldened and italicized*):

1. What material was used for the re-vegetation? ***Mr. Quezada indicated he did not have that information and report back to the Board.***

Public Comments: None

---

**ACTION:**

**Motion and Second by Directors Silvio Bernardi and John Huerta to accept the Pajaro River Bench Excavation Project Phase II Improvements; and, authorizing the General Manager to release any remaining and eligible construction funds in compliance with the Cost-Share Agreement with Santa Cruz County Flood Control and Water Conservation District, Zone 7. Motion carried unanimously.**

- 
- D. Consider providing direction to Staff on reducing the minimum release criterion from Nacimiento Reservoir from 60 cubic feet per second (cfs) to 25 cfs.

Howard Franklin, Senior Hydrologist, reviewed prior actions of the Board with regard to operation of the Salinas River Diversion Facility (SRDF). On March 5, 2014, the Reservoir Operations Committee unanimously voted not to operate the SRDF for the 2014 irrigation season (April through October) based on lack of water in the two reservoirs and insufficient rainfall. Mr. Franklin reported the Agency submitted a letter to NMFS on March 18, 2014 formally requesting the minimum release reduction. However, to date, no response had been received.

Mr. Franklin then discussed the Release Strategy for the two reservoirs.

Board Questions/Comments (*Staff responses are emboldened and italicized*):

1. Is the purpose of this reduction of minimum releases to protect water quality in the rubber dam? ***It is to protect the fish habitat.***
2. Was 25 cfs the minimum release utilized by the Agency in the Past? ***Yes.***
3. Alec Arago, Representative Sam Farr's aide, should participate in the telephone conference scheduled on April 1, 2014.

Public Comments: None

Nancy Isakson recommended moving this with agreement with NOAA Fisheries. It is important to develop a drought contingency plan and this could be part of an agreement with NOAA Fisheries.

---

**ACTION:**

**Motion and Second by Directors David Hart and John Huerta to reduce the minimum flow criteria from Nacimiento Reservoir from 60 cubic feet per second to 25 cubic feet per second, as agreed upon with National Marine Fisheries Service, in order to prolong flow into the Nacimiento River maintaining steelhead habitat as long as possible, offsetting the uncertainties of continuing drought conditions.**

**Motion carried unanimously.**

---

**7. KEY INFORMATION AND CALENDAR OF EVENTS** – The Finance Committee meeting will be held on Friday, April 11, 2014 @ 1:00 PM.

---

**8. GENERAL MANAGER’S REPORT** – General Manager David Chardavoyne reported on the following:

- a) Central Coast Regional Quality Control Board Workshop on the short-term channel maintenance program – Agency Staff made an informative and productive presentation at the Workshop, and the conversation continues with increasing urgency.
- b) Attendance at a reception for the new American Water CEO of American Water.
- c) Meet & Confer with PCA – the PCA will meet tonight to decide whether they will go to arbitration over Amendment #3. If they prevail in arbitration, they must approach the CPUC to get their project approved. Mr. Chardavoyne discussed several risks to taking this approach.
- d) His attendance as one of four panelists at the Salinas Town Hall meeting sponsored by Senator Anthony Cannella.
- e) Meeting with Assembly member Luis Alejo to discuss expediting the permit approval process and securing funding for projects including channel maintenance and others. The meeting in Sacramento included Federal and Regional agencies, and pressure was placed on NOAA Fisheries to expedite the channel maintenance program. The emphasis was on food safety and security.

**Public Comments:**

Darlene Din responded to comments in the General Manager’s report regarding the meeting with Assembly member Alejo in Sacramento. The key component was seeing how the project protects the environment, is environmentally beneficial, and is beneficial in flood control. They acknowledged our efforts to consider this issue from a multi-faceted approach.

---

**9. COMMITTEE REPORTS** – Directors had nothing to report from Committee meetings that were held.

---

**10. INFORMATION ITEMS** – Directors had no questions/comments regarding the Information Items.

---

**11. CORRESPONDENCE** – Directors had no questions/comments regarding Correspondence.

---

---

**12. BOARD OF DIRECTORS' COMMENTS** – Directors thanked Staff for preparation of the Budget Workshop, as well as members of the public for their ongoing interest and participation in Agency matters.

Chair Ortiz requested members of the Board to support his request of Assembly member Luis Alejo to present a bill that would protect the Agency from ever losing WR Permit 11043.

---

**13. ADJOURNMENT**

The meeting was adjourned @ 3:08 PM.

---

SUBMITTED BY: Wini Chambliss

APPROVED ON: April 28, 2014

---

Wini Chambliss, Clerk to the Board

APPROVED