



**MONTEREY COUNTY WATER RESOURCES AGENCY
SPECIAL BOARD OF DIRECTORS MEETING
STRATEGIC PLANNING WORKSHOP**

Thursday, November 14, 2013

MINUTES

1. CALL TO ORDER @ 8:55 a.m.

Chair Ken Ekelund called the Annual Strategic Planning meeting to order at the Laguna Seca Raceway Red Bull Energy Center, Salinas, CA 93908.

2. ROLL CALL

Directors Present

Ken Ekelund, Chair
Claude Hoover, Vice Chair
Mark Gonzalez
David Hart
Richard Ortiz
Mike Scattini (@ 9:15 am)
Deidre Sullivan

Directors Absent

Silvio Bernardi
Fred Ledesma

3. PLEDGE OF ALLEGIANCE (led by Director Mark Gonzalez)

4. OPENING REMARKS

Chair Ken Ekelund welcomed staff and the public, and stated a tremendous amount of material would be covered during the day's workshop. Chair Ekelund requested that focus remain on the "big picture" during all presentations.

5. PUBLIC COMMENT

Nancy Isakson, Salinas Valley Water Coalition, distributed a letter (attached) which stated in part that while projects are being developed to utilize water available under Water Right Permit #11043, the Agency holds other water rights and resources that may be available for utilization to develop additional projects. Ms. Isakson emphasized the need to develop a comprehensive program regarding water rights.

6. WATER RIGHT 11043

Where we are

Rob Johnson, Acting Assistant General Manager, led this discussion and reviewed the following topics regarding WR#11043: history; actions taken to date including the Settlement Agreement which avoided the revocation of the water right; Settlement Agreement parameters and milestones (with associated timelines); purpose and work of the Regional Advisory Committee (RAC); and, input provided by the Grower community.

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

- a. What is the estimated cost of the Draft EIR? How will it be funded? ***These are key questions. It is not uncommon to spend over a million dollars in this type of endeavor.***
- b. Did not the Board of Supervisors agree to assist with financing? ***Yes; but, no specifics were provided.***
- c. Does the DEIR milestone relate to the issuance of the DEIR or simply beginning the process? What about the scoping issue? ***That will be discussed at the RAC Committee.***
- d. Do the milestones point to one specific project? ***As with the Salinas Valley Water Project, "Project" may consist of a series of projects or components.***
- e. Will the RAC produce a summary document that identifies the amount of available water; the water rights held by the Agency; and, a solution utilizing the TRACKS approach? And, if so, will that document be available by the end of the year? ***Yes...there will be a summary document and the committee can summarize each milestone once achieved.***

General Manager Chardavoyne indicated that work associated with Water Right #11043 that is currently being performed was not anticipated or included in the budget. Decisions must now be made regarding stopping or postponing work relative to the permit.

- f. Growers indicated they would rather deal with a list of projects before discussing financing. They also request more discussions before making any decisions.
- g. At some point next year, all groups seeking input into this process should be consolidated to fully discuss the issue.
- h. Briefly describe a NOP (Notice of Preparation). ***It is a notice to responsible agencies and federal agencies of an agency's plans to prepare an environmental impact report on a project. This provides an opportunity for public input into the process.***
- i. The second milestone (to complete the NOP by July 2014) appears to be a setup for failure as it seems nearly impossible.
- j. Some of the information the Agency has received from the RAC on different projects has been inconsistent. What are the major differences between input provided by the Growers and the RAC? ***RAC is focused on 11043; growers focused on a comprehensive solution of which 11043 would be a component.***

Directors took a break from 9:55 am to 10:10 am.

Project Alternative Selection

Rob Johnson continued the 11043 Water Right #11043 presentation, discussing conceptual project suites the RAC will consider at its next meeting. Supporting and opposing arguments of four specific projects that were identified in a 1991 Boyle report were described, including the following: Interlake Tunnel; Upper Nacimiento River – Jerrett Site (surface water dam); Arroyo Seco-Salinas River Conveyance Canal; and, the East Side Canal/Pipeline. Mr. Johnson noted that some of these projects would require changes in the permit to include water storage as a component.

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

- a. What is the process for changing the permit? What are the associated costs and/or time required to change the permit? The RAC felt that changes to the permit would result in time delays, legal challenges, State Board hearings and increased costs. Additionally, it did not make sense to change the permit in relation to the milestones and terms of the Settlement Agreement. ***No response was provided.***
- b. Must a project utilize all of the water in the permit? ***Yes.***
- c. Should water remain from any projects, would it revert to the State? ***Someone else could attempt to apply for the water. It is not out of the question.***
- d. The RAC should seriously consider projects with multiple benefits for some of the projects (i.e., building a facility that utilizes water in the concentrated five month period while allowing another entity to use water the other months).
- e. Is a 218 Ballot required to sell water? ***This will require research. The Agency Act allows us to do all sorts of things.***

General Manager Chardavoynne discussed an idea working with Cal Water (which services the City of Salinas). They have a problem with nitrates in the wells. The Agency could develop a deal with Cal Water to help solve their problem, and in that deal sell them wholesale water thereby developing a revenue stream. This could generate enough revenue to build a tunnel between the two reservoirs. We would be using existing assets, securing additional assets and establishing a revenue stream.

- f. This is what the PCA is doing with the Groundwater Replenishment. Who is going to pay for the studies, process, etc. to get to the point of selling water? The growers may be unwilling to pay for this. ***If this was the Agency's direction, we would most likely seek out a company that would finance/design/build the project.***
- g. Before WWII, Monterey County water projects were funded solely by businesses...not government or taxes. We should investigate joint public/private funding.
- h. The Agency should have a backup plan in the event public/private funding is unavailable.
- i. Does the Control Board favor cooperatives included in our plan vs. narrow vision projects? ***If we seek additional help and/or funding from the State, they favor projects with multiple benefits. Funding is readily available for projects that include disadvantaged communities.***

- j. The development of projects is limited by the timelines imposed. If any milestone in the timeline is not met, revocation proceedings for WR #11043 are reinitiated.
- k. We need to develop an alignment of political, financial and stakeholder interests to support the best project for the greatest good.

WORKING LUNCH – (served from approximately noon to 1 PM)

7. LONG-TERM RIVER MANAGEMENT PROGRAM

David Chardavoyne, General Manager, provided an update on the Long-Term Stream Management Program. He noted Agency Staff have participated in weekly teleconferences with the County's lobbyist and County officials in efforts to advance the long-term program. Meetings have been held and are scheduled with various community members and stakeholder organizations. Two issues have been made clear in these meetings: the public does not trust Sacramento and are unwilling to involve them; and, local control is essential. The Agency will continue on its current path until a better option is presented.

Darlene Din clarified a stakeholder issue. She stated stakeholders have no issue with Agency staff communicating with Sacramento. However, they do not agree with a steering committee being determined by Sacramento.

Presently, the way the Agency has always performed channel maintenance is no longer acceptable. The proposed solution is controversial and does not provide an acceptable level of protection; so, the Agency must shift its strategy. This is a critical issue that is larger than the Agency and requires a holistic approach. There are a couple of options at this time: 1) continue the quest to approve the Channel Maintenance Program documented in the EIR and battle for permit approval; 2) work with The Nature Conservancy and their demonstration project which they believe can secure the necessary permits; or, 3) seek State intervention that declares a critical need for a comprehensive stream management program to prevent future flooding of prime agricultural resources. The conceptual State approach would legislatively create a steering committee with the resources to implement a consensus-based approach to balanced, enhanced flood protection. Mr. Chardavoyne then outlined possible committee membership, purpose and guidelines, as well as goals and objectives. He stated some type of legislative support will be necessary for financing.

Meetings have been scheduled to solicit public input in various communities and with representative agencies (Salinas River Channel Coalition, King City Rotary Club, Grower-Shipper Association, Board of Supervisors Ag Advisory Committee and community groups in King City, Salinas and Soledad).

It was suggested the Agency enlist the services of a PR firm to deliver a clear message regarding the mission and purpose of the Agency, in general, and Water Rights Permit #11043, specifically. This issue is very complex and the public requires an explanation that narrows the focus to easily understood core matters. The public may have rejected the programs provided because they did not fully understand the presentations. The Agency's intentions are good; but delivery of message may be lacking. The General Manager solicited

recommendations for good PR firms. Action Pajaro Valley was recommended as a good model and Ms. Din will provide the General Manager with names of viable PR firms. Two documents are currently under development that will serve as fact sheets for Water Rights Permit #11043 and the Long Term River Management Program. These documents will contain concise information regarding the two projects.

8. CAPITAL PROGRAM NEAR-TERM PROJECTS

Brent Buche, Assistant General Manager, reviewed the near-term projects that include projects mandated by FERC, DSOC and Salinas River Lagoon Sandbar Management; COLA projects (Espinosa Booster Pump Station, Carr Lake Evaluation; and, the Outlet Valve for Low Level Outlet Works at Nacimiento Reservoir); and, other projects (Salinas River Stream Maintenance Program, Nacimiento Hydroelectric Plant Unit #2, Bryant Canyon in Soledad, Inlet Valve Actuators for the Low Level Outlet Works at Nacimiento, CSIP expansion, annexations/land issues, preventative maintenance of facilities and litigation). Some of these projects/activities are budgeted; but, all are required.

Specific mention was made of pursuing the installation of a warning alarm at the Bradley Elementary School in the event of catastrophic dam failure.

9. 2013 – 2014 BUDGET

Cathy Paladini, Finance Manager, reviewed Agency Financials for FY 2013-2014. She highlighted the following topics:

- Sources, breakdown, allocation and distribution of revenues;
- Budgeted and approved expenditures;
- Restricted and unassigned fund balance;
- Changes in fund balance for the preceding five years;
- The gap between revenue and expenditures (budgeted expenditures exceed revenues); and,
- Recommendations for balancing the FY 2013-14 budget.

Recommendations for balancing the FY 2013-14 budget included the following:

Revenues

- Securing a long term energy contract for the power plant;
- Pursuing annexation fees;
- Seeking grants and/or cooperative agreements to fund projects; and,
- Requiring staff to work only on budgeted/funded projects.

Expenditures

- Reducing budgeted expenditures by six percent (\$1.2 million);
- Reducing salaries and benefits;
- Reviewing business processes for efficiencies;
- Reducing consultant expenditures;

- Reducing services and supplies; and,
- Identifying efficiencies in regard to the MRWPCA budget.

With regard to the reserves held by MRWPCA, several recommendations were made:

- SVRP and CSIP O&M reserves be abolished, returning approximately \$630K to CSIP/SVRP Agency funds;
- SVRP, CSIP and SRDF Equipment Reserve funds be funded by the Agency during the annual budget process; and,
- SVRP and CSIP Bureau Loan reserves be maintained at minimum agreement levels, returning approximately \$80,000 to CSIP/SVRP funds.

Ms. Paladini concluded this portion of her budget presentation with a three-year budget forecast:

- a. Aligning ongoing revenues with expenditures (reducing expenditures by \$1.2M annually; securing a long-term hydroelectric contract as a revenue stream; and, securing grants and/or cooperative agreements to fund new projects);
- b. Prioritizing Agency work (new projects vs. day-to-day operations with mandated, unfunded regulatory components; revising Ordinances to ensure staff is paid for work performed as well as securing penalties/fees for non-compliance); and,
- c. Performing SWOT analyses of the Agency's Mission, Goals and Objectives (re-confirming the Mission, Goals and Objectives of the Agency; and, evaluating projects/funding based on SWOT analysis).

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

- a. We must ensure the Agency's budget is not arbitrarily changed by downtown staff once approved by this Board of Directors.
- b. Perhaps Agency staff should meet with our Budget Analyst to agree upon budget issues prior to approval by the Board of Supervisors.
- c. The SWOT analysis is important to justify to the public why specific decisions are made.
- d. Include in the three-year forecast to execute the agreement with Monterey County to memorialize services provided by the County and how we pay for them as well as the services the Agency provides to the County and how they pay for them.
- e. Re-start the development of the Parks MOU.
- f. The settlement related to the General Plan includes consulting services by the Agency to provide a five-year study related to ground water and seawater intrusion which will determine whether subdivisions will be allowed. The General Manager reported the need for an agreement between Monterey County and the Agency to secure payment for providing these services.

10. BOARD COMMITTEES

Ken Ekelund, Board Chair, opened the discussion regarding the possibility of consolidating some of the Standing Committees. General Manager David Chardavoyne then reviewed the Standing and Ad-Hoc Committees currently in existence at the Agency (Standing: Basin Management Plan, Finance, Personnel and Administration, Planning, and Reservoir Operations. Ad Hoc: Recycled Water Rights, Regional Advisory, and PCA Meet and Confer).

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

- a. Since the BMP is responsible to review projects prior to consideration by the full Board, committee membership/representation should be broader.
- b. Should the RAC committee be folded into the BMP Committee?
- c. With the restricted timeline with regard to Water Rights Permit #11043, it might not be a good idea to consider tampering with the committee.
- d. Has any thought been given to placing a public member on the Finance committee?
- e. How are ad hoc committees de-activated? ***By Board action.***
- f. The Water Quality and Operations Committee requested that a Director sit on that Committee.
- g. A Director should sit on every committee.
- h. Every meeting should be recorded.

11. BOARD OF DIRECTORS' COMMENTS

Director Ortiz requested that certification of the Salinas River Channel Maintenance Program EIR be placed on the December BOD agenda, and that the Board move forward in its approval. Director Ortiz also recommended taking a Board member when meeting with regulatory agencies, etc.

Director Ekelund recommended that the Agency consider re-joining ACWA.

12. ADJOURNMENT – Chair Ekelund adjourned the meeting @ 4:32 pm.

SUBMITTED BY: Wini Chambliss

APPROVED ON: February 24, 2014

Wini Chambliss, Clerk to the Board