



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

BOARD MEMBERS:

Ken Ekelund, Chair
Claude Hoover, Vice Chair
Silvio Bernardi
David Hart
Fred Ledesma
Richard Ortiz
Mike Scattini
Deidre Sullivan
Vacant

STAFF:

David Chardavoyne, Interim 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 Meeting
Budget Workshop for Fiscal Year 2013-2014**

**March 25, 2013
9:00 a.m.**

MINUTES

- 1. SPECIAL BOARD MEETING CALLED TO ORDER at 9:02 AM by Board Chair, Ken Ekelund**
- 2. ROLL CALL**

Present: Directors Ken Ekelund, Claude Hoover, Silvio Bernardi, David Hart, Fred Ledesma (@ 9:48 AM), Richard Ortiz and Mike Scattini
Absent: Director Deidre Sullivan

A quorum was established.
- 3. PUBLIC COMMENTS:**

Dale Huss, Ocean Mist Farms, voiced his opposition to blanket increases in assessments.

4. BUDGET WORKSHOP FOR FISCAL YEAR 2013-2014

David Chardavoyne, Interim General Manager, thanked staff for diligent efforts in developing a structurally balanced budget. He reported the budget contains an allowance for COLA increases and specifically identifies activities/tasks that will be supported by the increases as well as tasks that will not be performed if COLAs are not approved. Mr. Chardavoyne stated monthly variance reviews will commence this fiscal year to monitor budget activities.

Finance Committee Chair Claude Hoover noted a projected deficit of \$1.2 million in the current fiscal year; but, added that in the aggregate, the budget presented is balanced. Some funds, however, will show a deficit. Mr. Hoover also noted there are no contingencies built into the budget.

Mr. Chardavoyne reported the Monterey Regional Water Pollution Control Agency's portion of the budget is subject to results of the audit currently underway.

Finance Manager Cathy Paladini reiterated the Agency's shift to a structurally balanced budget whereby: expenditures and revenues match; fund balance is not utilized to finance ongoing expenditures; and, the Agency's budget cycles, timelines and practices are aligned with those of Monterey County. This necessitates modification of the Agency's budget cycle.

Directors and staff engaged in a comprehensive dialogue regarding specific matters related to the budget. The following recommendations resulted from the discussion:

1. Directors need to determine how Rate Stabilization Reserve Funds will be utilized since the debt has been retired.
2. Fixed Assets should be segregated from consultant costs.
3. One-time costs for consultants should be categorized separately.
4. The Hydroelectric Facility should be viewed as a stand-alone project.
5. Staff needs to investigate Oak Shores water charges.
6. The Board of Supervisors and Board of Directors should meet together with the City of Salinas to discuss the Impact Fee.
7. Fund 134 should not be used for fish monitoring expenditures.
8. Directors need to review policy on utilizing Fund 134 for non-O&M expenditures.
9. Staff needs to investigate the Prop. 218 vote re: SVWP to determine if two staff positions were included for fish monitoring.

Ms. Paladini summarized the Agency's goals with respect to the budget as follows:

1. Achieve a structurally balanced budget;
2. Align revenues and expenditures;
3. Seek and secure ongoing revenues; and,
4. Review monthly financial variances.

5. RECESS FOR LUNCH AND CLOSED SESSION

The Board recessed for lunch and Closed Session @ 11:40 AM.

SUBMITTED BY: Wini Chambliss
APPROVED ON: May 20, 2013

Wini Chambliss, Clerk to the Board



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

BOARD OF DIRECTORS:

Ken Ekelund, Chair
Claude Hoover, Vice Chair
Silvio Bernardi
David Hart
Fred Ledesma
Richard Ortiz
Mike Scattini
Deidre Sullivan
Vacant

STAFF:

David E. Chardavoynne, Interim 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 25, 2013

MINUTES

1. RECONVENE MEETING/REPORT FROM CLOSED SESSION

Ken Ekelund, Chair of the Monterey County Water Resources Agency Board of Directors, called the Regular Board of Directors meeting to order @ 12:02 PM and established a quorum (all Directors present except Deidre Sullivan). The Board then adjourned to Closed Session @ 12:03 PM.

The meeting reconvened @ 1:05 PM.

Deputy County Counsel Patrick McGreal indicated there were no reportable actions taken in Closed Session and that Directors provided direction regarding matters discussed.

2. PLEDGE OF ALLEGIANCE (led by Director Hoover).

3. PUBLIC COMMENTS

Margie Kay, North County resident, reported clean-up activities in the Elkhorn Slough area will occur on April 20, 2013. Ms. Kay also reported the inability of the County to financially support clean-up efforts in their entirety. Director Scattini added that Agribusinesses very often clean roadside debris.

4. CONSENT CALENDAR

A. Approve the minutes for the following meetings: Special Planning Workshop and Regular Board of Directors meetings held on February 25, 2013 @ 10 AM and 1:00 PM respectively

- B. Approve purchase orders/contracts in excess of \$500 for February 2013 and credit card purchases over \$500 in January/February 2013
- C. Approve the Monterey County Water Resources Agency Heavy Equipment Plan for FY 2013-2014; and, authorize the Interim General Manager to purchase the equipment in accordance with the Heavy Equipment Plan
- D. Approve the Monterey County Water Resources Agency Light Vehicle Replacement Plan for FY 2013-2014; and, authorize the Interim General Manager to purchase the vehicles in accordance with the Light Vehicle Replacement Plan
- E. Approve the Appendix 2014 Supplement to the Monterey County Water Resources Agency Technology Plan – Phase IV (ATP IV)
- F. Approve the Water Resources Agency’s FY 2012-2013 Three-Year Forecast for inclusion in Monterey County’s Countywide Three-Year Forecast for FY 2012-13 through FY 2015-16 Report

Public Comments: None

ACTION:

Motion and Second by Directors Claude Hoover and Mike Scattini 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 Ken Ekelund declared the hearing open for public participation. No members of the public provided input.

ACTION:

Motion and Second by Directors David Hart and Fred Ledesma to close the Public Hearing

Motion carried unanimously.

6. ACTION ITEMS

- A. Consider approving the Monterey County Water Resources Agency’s Fiscal Year 2013-2014 Requested Budget; and, recommending approval of the Requested Budget to the Board of Supervisors

Cathy Paladini, Finance Manager, recapped the material presented in the day’s Budget Workshop stating the Agency is working toward a structurally balanced budget that:

- matches expenditures with revenues;
- does not utilize fund balance for financing ongoing expenditures; and,
- mirrors Monterey County’s budget practices and timeline.

Ms. Paladini briefly reviewed the following:

- differences between the Monterey County and Agency budget cycles;
- comparisons between FY 2012-13 Estimates and FY 2013-14 Requested Budget;
- Strategy for the future;
- Deferred Maintenance not included in the budget;
- methods of seeking and acquiring additional ongoing revenues for FY 2013-14;
- timeline for 2013-14 COLA increase;
- annexation timeline for FY 2013-14; and,
- effects of not receiving COLA increases for FY 2013-14.

Ms. Paladini noted a change on the Revenue and Expenditure Summary for FY 2013-14 Requested Budget as a result of the Budget Workshop discussions: Moving a \$105,000 Consultant charge for fish monitoring from Fund 134 to Fund 115.

Additionally as a result of Budget Workshop discussions, Directors requested further information about the use of CSIP Rate Stabilization Reserves (Fund 303) since the loan has been retired.

Directors also requested Budget Workshop materials be made available on the Agency's website.

Interim General Manager David Chardavoyne emphasized the numbers in the Board packet reflect a 1.5% COLA rather than the 2.4% COLA increase provided in the revised information Directors received after the original Board packet mail out (revised information was made available for the public at the meeting and on the website). Mr. Chardavoyne recommends that approval of requested budget be subject to adjustment as necessary to reflect PCA audit revisions.

A question arose as to why audit revisions would be treated differently than any other changes that may occur. Staff responded that Amendment No. 2 of the Agreement with PCA specifies that the Board approve audit revisions.

Public Comments:

Brad Hagemann, Assistant General Manager MRWPCA, asked what in the audit might change the budget. Mr. Chardavoyne responded Hayashi and Wayland could provide a better explanation. There could be items in the budget that should be removed and/or included.

ACTION:

Motion and Second by Directors Richard Ortiz and David Hart to approve the Monterey County Water Resources Agency's Fiscal Year 2013-2014 Requested Budget subject to adjustments necessary as a result of the PCA Audit and moving Consultant charges for fish monitoring from Fund 134 to Fund 115; and, recommend approval of the Requested Budget to the Board of Supervisors

Motion carried unanimously.

- B. Consider approving the remaining encumbrance of \$589,000 for the Time and Materials Construction Agreement with Site Constructors, Inc. for an amount not to exceed \$1,089,000 for the repair of Unit No. 1 at the Nacimiento Hydroelectric Facility

Brent Buche, Assistant General Manager, reported Funds will come from Fund 303 (Rate Stabilization Reserve). The original board order only encumbered \$500,000, due to the contract being in draft form. Subsequently, in order to pay invoices up to the contract amount, the remaining \$589,000 must now be encumbered.

Public Comments: None

ACTION:

Motion and Second by Directors Claude Hoover and Fred Ledesma to approve the remaining encumbrance of \$589,000 for the Time and Materials Construction Agreement with Site Constructors, Inc. for an amount not to exceed \$1,089,000 for the repair of Unit No. 1 at the Nacimiento Hydroelectric Facility

Motion carried unanimously.

- C. Consider receiving the *Salinas Valley Water Project Annual Fisheries Report for 2012*

Elizabeth Krafft, Senior Hydrologist, stated this report shows results of the biological and water quality of the SVWP Flow Prescription monitoring plan for 2012 with the report being submitted to NMFS in April 2013. The objectives of the report are to 1) effectively identify how the SVWP enhances opportunity for steelhead use of the lower Salinas River system; and, 2) identify the effects of the various actions implemented as part of the SVWP on steelhead populations. Ms. Krafft provided information about the dates of monitoring activities; survey results at each of the sampling sites; and information regarding water quality. The following reflects the highlights of findings:

Highlights of findings:

- Adult steelhead migrating in Salinas River
- Caught 1 O. mykiss in lagoon
- Caught 2 O. mykiss in Nacimiento River
- Majority of outmigration is in Arroyo Seco
- Lagoon water quality changes: when it is open/closed
- Nacimiento releases might affect water temperature downstream

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

1. Directors were perplexed at the fact the Agency is spending approximately \$600,000 to count 3,000 fish. We're spending \$600,000 per year to count 3000 fish (\$200 per fish).

Public Comments: None

ACTION:

Motion and Second by Directors David Hart and Silvio Bernardi to receive the *Salinas Valley Water Project Annual Fisheries Report for 2012*

Motion carried unanimously.

- D. Consider approving Amendment No. 1 to the professional services agreement with DRS Marine, Inc., for underwater repair of intake valve operators at Nacimiento Dam in the amount of \$65,000; and, authorizing the Interim General Manager to execute the Amendment

Brent Buche, Assistant General Manager, reported DRS Marine, Inc. will install one rebuilt valve operator; remove the remaining two valve operators; and subsequently reinstall two valve operators upon being rebuilt. The work will occur by May 1 to allow the SVWP Flow Prescription required minimum flow of 60 cfs to remain uninterrupted. There will be 20 individual dives for a total cost of \$69,066. This will be paid from Amendment No. 1 (\$65,000 plus \$7,009 remaining from original Agreement, leaving a balance of \$2,943 for contingencies) – not to exceed a maximum payable of \$140,000.

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

1. Is any of this covered by insurance? ***This is being investigated...it may be classified as normal wear and tear.***
2. Are we saving money by repairing the valves all at once? ***We are replacing with rebuilt but also ordering brand new ones because it takes nine months for actual delivery.***
3. Is there a warranty on the rebuilt pieces? ***No. The parts are not from the manufacturer.***
4. What is the cost of the three operators? ***\$100,000.***
5. What will it cost to replace the rebuilds when the new parts arrive? ***About \$65,000***

Public Comments: None

ACTION:

Motion and Second by Directors Claude Hoover and David Hart to approve Amendment No. 1 to the professional services agreement with DRS Marine, Inc., for underwater repair of intake valve operators at Nacimiento Dam in the amount of \$65,000; and, authorize the Interim General Manager to execute the Amendment

Motion carried unanimously.

- E. Consider approval and recommending that the Board of Supervisors of the Monterey County Water Resources Agency approve an Agreement, in substantially the form attached to the Board Report subject to the approval of County Counsel, with the Santa Cruz County Flood Control District for construction of Phase II of the Pajaro Bench Excavation Project; and, authorizing the Interim General Manager of the Monterey County Water Resources Agency to sign the Agreement for an amount not to exceed one-half of \$4.4 million

David Chardavoyne, Interim General Manager, reviewed this action item. He provided

background information on Phase I which was completed in October 2012, stating the Agency has been completely reimbursed. Phase II involves excavation and removal of approximately 153,000 cubic yards of material. The contract award will take place on April 16, 2013. This has become a rush project due to the mating season of the turtles. The project is 100% grant eligible with \$2.49 million from remaining Prop 50 funds and the remaining amount from a \$2.95 million Prop 84 grant. The agreement is between the Agency and Santa Cruz Flood Control and Water Conservation District, Zone 7. The District is the lead agency for Phase II and has approval right over all change orders.

Director Mike Scattini left the dais at 2:08 PM and returned at 2:15 PM.

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

1. Priority has been given to turtles over people. *In this case with proper planning, accommodations can be made for both.*
2. Is there any chance the grant may not be awarded? *The grant has been awarded but there is always a chance DWR may not allocate funds.*
3. Are there more liabilities than what are currently visible? *Managing the cash flow, any liability will belong to the County if funds do not go through.*

Public Comments: None

ACTION:

Motion and Second by Directors Claude Hoover and Mike Scattini to approve and recommend that the Board of Supervisors of the Monterey County Water Resources Agency approve an Agreement, in substantially the form attached to the Board Report subject to the approval of County Counsel, with the Santa Cruz County Flood Control District for construction of Phase II of the Pajaro Bench Excavation Project; and, authorize the Interim General Manager or General Manager of the Monterey County Water Resources Agency to sign the Agreement for an amount not to exceed one-half of \$4.4 million

Motion carried unanimously.

-
- F. Consider approving an Agreement between Monterey County Water Resources Agency and Monterey County re: Pajaro River Bench Excavation Project Phase II; recommending approval by the Board of Supervisors; and, authorizing the Interim General Manager to sign the agreement providing that no substantial modifications have been made by Monterey County to the Agreement attached to the Board report

David Chardavoyne, Interim General Manager, explained the specifics on the Funding Agreement to include:

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

1. The Agreement (page 259 in the packet) should read Phase II.
2. Why would the County take a different view of this now, as opposed to Phase I? *The County indicated the title "Advance/Refund" Agreement was incorrect.*

Public Comments: None

ACTION:

Motion and Second by Directors David Hart and Claude Hoover to approve an Agreement between Monterey County Water Resources Agency and Monterey County re: Pajaro River Bench Excavation Project Phase II; recommending approval by the Board of Supervisors; and, authorize the Interim General Manager or General Manager to sign the agreement providing that no substantial modifications have been made by Monterey County to the Agreement attached to the Board report.

Motion carried unanimously.

7. KEY INFORMATION AND CALENDAR OF EVENTS – There were no changes made to the regular meeting schedule.

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

- a) Water Rights Permit #11043 - A meeting on this permit is scheduled for Thursday of this week, with the hearings tentatively scheduled for August 28, 29 and 30.
- b) Hydroelectric Power contract – Natividad Medical Center has signed the Memorandum of Intent. The search has begun for an outside attorney well versed in electrical contracts.
- c) Salinas River Stream Maintenance Programs – Two staff workshops have been held with another scheduled prior to the Joint Meeting between the Agency’s Board of Directors and Board of Supervisors.
- d) PCA Audit – The audit has begun. Water rights issues between the Agency and PCA remain unresolved. The Regional Advisory Committee developed to discuss water rights issues will meet again within the next two weeks.

Public Comments: None

9. COMMITTEE REPORTS – Finance Committee Chair Claude Hoover thanked staff for the well-prepared budget workshop.

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

11. CORRESPONDENCE – With regard to the Chevron letter, Directors questioned whether Agency staff sent a response disagreeing with their position. Staff indicated Chevron officials and Agency staff (including Interim General Manager Chardavoyne, Brent Buche, Tom Moss and Deputy County Counsel Patrick McGreal) attended a field trip to the Chevron site. Mr. Moss has also been in contact with FEMA staff to work through issues with Chevron, which remain unresolved. It appears the Agency can meet some of Chevron’s requests. The main issue is the development of another pool in the well field that Monterey County requires to be flood proof. The Agency is the lead and has the authority to make an exception. Discussions with Chevron and FEMA will continue as Chevron secures permits for each component.

12. BOARD OF DIRECTORS' COMMENTS

Director Bernardi questioned whether a pipeline between the two reservoirs is being discussed. Staff replied this issue is currently being discussed as one of the projects connected to Water Right Permit #11043. Additionally, San Luis Obispo County has included this issue in the IRWMP.

Directors also acknowledged staff efforts in preparation of the reports for the morning workshop.

13. ADJOURNMENT

The meeting was adjourned @ 2:35 PM.

SUBMITTED BY: Wini Chambliss
APPROVED ON: April 22, 2013

Wini Chambliss, Clerk to the Board

APPROVED