

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

**FINANCE COMMITTEE**

**COMMITTEE MEMBERS**

Claude Hoover (Chair)  
David Hart

Ken Ekelund  
John Huerta

**TIME:** 10:00 a.m.  
**DATE:** Friday, April 10, 2015  
**PLACE:** Monterey County Water Resources Agency  
893 Blanco Circle  
Salinas, CA 93901

**MINUTES**

1. **Call Meeting to Order @ 10:10 a.m. by Committee Chair, Claude Hoover**  
Members Present: Ken Ekelund, Claude Hoover and David Hart  
Members Absent: John Huerta

A quorum was established.

2. **Public Comment**  
None

3. **Approve the Minutes of the Finance Committee Meeting held on February 13, 2015.**

**Committee Action:**

**Upon Motion made by Committee Member David Hart and seconded by Committee Member Ken Ekelund the Committee approved the Minutes.**

4. **Consider receiving the February 2015 Financials for the Castroville Seawater Intrusion Project/Salinas Valley Reclamation Project, and the Salinas River Diversion Facility.**

Mark Foxworthy, Water Resources Engineer reviewed the Financials for the CSIP/SVRP/SRDF.

**Committee Action:**

**Upon Motion made by Committee Member Ken Ekelund and seconded by Committee Member David Hart the Committee received the report.**

5. **Consider receiving the February 2015 Financials for all Agency Funds.**

Cathy Paladini, Finance Manager, reviewed the February Financials for all Agency Funds. She noted that the year-to-date revenue is \$15,551,153 and year-to-date expenditures are \$ 14,590,877

**Committee Action:**

**Upon Motion made by Committee Member Ken Ekelund and seconded by Committee Member David Hart the Committee received the February 2015 Financials for all Agency Funds.**

- 6. Consider approving Purchase Orders/Contracts/Credit Card Purchases in excess of \$500.**

Cathy Paladini, Finance Manager, reviewed purchase orders/contracts/credit card purchases in excess of \$500.

**Committee Action:**

**Upon Motion made by Committee Member David Hart and seconded by Committee Member Ken Ekelund the Committee approved the Purchase Orders/Credit Card Purchases in excess of \$500.**

- 7. Consider receiving the report and recommending to the Monterey County Board of Directors a 2.5% COLA increase on the assessment rate charges for Zones 2B, 2Y and 2Z for Fiscal Year 2015-2016, the Castroville Seawater Intrusion Project (CSIP) and the Salinas Valley Reclamation Project (SVRP), with no changes to the water service charge of \$5.63 and delivery charge of \$67.82**

Cathy Paladini, Finance Manager, reviewed the report. She noted that on March 23, 2015 The Water Resources Board of Directors approved the FY 2015-16 Budget which included an estimated 2.4% COLA increase for Zones 2B, 2Y, and 2Z. The annual CPI index was published after the FY 2015-2016 Budget was approved by the Board of Directors.

The Agency will schedule a public hearing with the Board of Supervisors in June 2015 to establish the assessment rates, water delivery charges and water service charges for Fiscal Year 2015-2016. The total revenues for these Zones are anticipated to be \$7,492,476. The 2.5% COLA increases revenue by \$182,743 compared to FY 2014-15 revenues.

The Committee requested that the subarea and factors information be included when this item is presented to the full Board. In addition, the Committee asked staff to provide the full Board with an historical review of the rates and increases along with a projects list.

**Committee Action:**

**Upon Motion made by Committee Member Ken Ekelund and seconded by Committee Member David the Committee received the report.**

- 8. Consider receiving the report and recommending that the Monterey County Board of Directors approve a 2.5% COLA increase to benefit assessment charges for Fiscal Year 2015-2016 in Zones 1, 1A, 8, 9, 12 and 17**

Cathy Paladini, Finance Manager, reviewed the report. She noted that On March 23, 2015 the Monterey County Water Resources Agency Board of Directors approved the Agency's FY 2015-16 Budget which included an estimated 2.4% COLA increase on Zones 1, 1A, 8, 8, 12, and 17. The annual CPI index was published after the FY 2015-16 Budget was approved by the Board of Directors.

The Agency will schedule a public hearing with the Board of Supervisors in June 2015 to establish the assessment rates, water delivery charges and water service charges for Fiscal Year 2015-2016. Total revenues for these Zones are anticipated to be \$1,656,456. The 2.5% COLA increases revenue by \$40,401 compared to FY 2014-15.

**Committee Action:**

**Upon Motion made by Committee Member Ken Ekelund and seconded by Committee Member David Hart the Committee received the report.**

**9. Consider receiving the report and recommending that the Monterey County Board of Directors approve a 2.5% COLA increase in Zone 2C assessment charges for Fiscal Year 2015-2016**

Cathy Paladini, Finance Manager, reviewed the report. On March 23, 2015 the Monterey County Water Resources Agency Board of Directors approved the Agency's FY 2015-16 Budget which included an estimated 2.4% COLA increase for Zone 2C Operations and Maintenance and Administration only. The annual CPI index was published after the FY 2015-16 Budget was approved by the Board of Directors.

The Agency will schedule a public hearing with the Board of Supervisors in June 2015 to establish the assessment rates for Fiscal Year 2015-2016. Total revenues for these Zones are anticipated to be \$4,401,082. The 2.5% COLA increases revenue by \$80,319 compared to FY 2014-15.

**Committee Action:**

**Upon Motion made by Committee Member Ken Ekelund and seconded by Committee Member David Hart the Committee received the report.**

**10. Consider receiving the report and recommending that the Monterey County Water Resources Agency Board of Directors approve Budget Amendment No. 3 authorizing the Auditor-Controller to amend the Monterey County Water Resources Agency's FY 2014-15 Adopted Budget to transfer funds to cover the second annual SVWP Bond Debt Service payment in the total amount of \$2,137,863;**

**a) Authorize the Auditor-Controller to amend the FY 2014-15 WRA Adopted Budget, Dept. 9300, Unit 8267, Fund 133 (SVWP Revenue Fund), Appropriation Unit WRA027, Account 6811, to increase appropriations by \$32,000 financed by available unassigned fund balance account 3101.**

Cathy Paladini, Finance Manager, reviewed the report. She explained that when the Monterey County Financing Authority Series A Revenue Bonds ("Salinas Valley Water Project") were issued in 2008, the financing structure required that a reserve fund of \$2,189,250 be set aside and held by the custodian/trustee for payment of the final debt service in 2037-38.

Rabobank won the Guaranteed Investment Contract with a bid of 4.851% over the term of the bonds. The interest received semi-annually from the GIC provided revenue to the Agency which has decreased debt service payments since that time. On November 5, 2014, S&P lowered the Rabobank rating to A+ which triggered certain remedy provisions. Those remedies included transfer to another adequately rated institution, collateralization of the investment, or liquidation of the investment. Because interest rates are at historical lows, no institutions would accept a transfer to pay 4.851%. Rabobank was unwilling to put up 125%

of the balance in collateral. Therefore, the GIC was terminated and the funds returned to the custodian who placed the balance in money market funds earning minimum interest. This reduction in earnings has negatively impacted the budget for debt service of WRA. The interest rate decrease from 4.85% to .01% results in an annual loss of \$105,981.59.

Ron Holly, Chief Deputy Auditor-Controller of Debt Management is currently investigating other investment opportunities that yield a higher rate of return.

**Committee Action:**

**Upon Motion made by Committee Member Ken Ekelund and seconded by Committee Member David Hart the Committee received the report.**

11. **Consider receiving the report and recommending that the Monterey County Water Resources Agency Board of Directors approve an Agreement for Services with Tom Shepherd in the amount of \$25,000 to provide liaison services for Agency Grazing leases and related property management services; and, authorizing the General Manager's to execute the Agreement.**

Brent Buche, Deputy General Manager, reviewed the report. He noted that there are approximately 9 Agency leases that will expire in October 2017. The Agency needs to update these lease agreements and reformulate the existing language that provides credits to tenants for land improvements. In addition, there are several outstanding property management activities that need immediate attention to prevent risk of liability and to protect existing lease revenue that may be impacted by continued drought conditions.

He stated that Tom Shepherd has a high degree of knowledge regarding Agency property in Monterey County and has over 20 years of experience as a Monterey County Deputy Chief Ranger/Parks Operations Manager. He has worked closely with the Agency on property management issues in the past including the Agency and County Park Lease Agreement. Staff believes he understands the needs and restrictions of these agreements and can offer insight into some of the outstanding lease issues. In addition, he brings with him knowledge on how to improve the management of Agency grazing leases as we move through severe drought conditions. County Counsel will review this contract for any additional requirements before execution of the agreement.

The Committee raised a concern regarding potential conflict of interest as Mr. Shepherd was a County employee. Staff noted that the issue had been raised with County Counsel and was reassured that there is no conflict of interest.

The Committee requested Staff to better identify the priorities within the Contract and Scope of Work before finalizing the agreement.

**Committee Action:**

**Upon Motion made by Committee Member Ken Ekelund and seconded by Committee Member David Hart the Committee received the report and recommends that the Monterey County Water Resources Agency Board of Directors approve an Agreement for Services with Tom Shepherd in the amount of \$25,000 to provide liaison services for Agency Grazing leases and related property management services; and, authorizing the General Manager's to execute the Agreement.**

**10. Set next meeting date and discuss future agenda items.**  
The next meeting will be held on May 8, 2015 at 10:00 a.m.

**11. ADJOURNMENT**  
The Committee adjourned at 11:00 a.m.

Submitted by: Alice Henault

Approved on: August 14, 2015