

**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, September 12, 2014
**PLACE: Monterey County Water Resources Agency
893 Blanco Circle
Salinas, CA 93901**

MINUTES

1. **Call Meeting to Order @ 10:00 a.m. by Committee Chair, Claude Hoover**
Members Present: David Hart, Ken Ekelund and John Huerta
Members Absent: Claude Hoover

A quorum was established.

2. **Public Comment**
None.

3. **Approve the Minutes of the Finance Committee Meeting held on June 20, 2014.** Committee Member Dave Hart noted a correction to be made to Item No. 11, Committee Action: **“Upon Motion made by Committee Member Ken Ekelund and seconded by Committee Member David Hart, the Committee recommended that the full Board approve Amendment No. 3 to the Agreement for Professional Services with Salinas Pump Company in the amount of ~~4100,00~~ \$100,000 to provide well and pump maintenance, repair services and well logging services for the Castroville Seawater Intrusion Project and authorize the General Manager to execute the Amendment.**

Committee Action:

Upon Motion made by Committee Member Dave Hart and seconded by Committee Member John Huerta the Committee approved the June 20, 2014 Finance Committee Minutes with the noted correction.

At this time David Chardavoyne, General Manager, requested that Item No. 9 be considered after Item No. 4 because of certain time constraints on the Committee and the Committee agreed to the change.

4. **Consider receiving an update and recommending that the full Board approve a Memorandum of Understanding regarding Source Waters and Water Recycling by and between Monterey Regional Water Pollution Control Agency, the Monterey**

County Water Resources Agency, the City of Salinas, the Marina Coast Water District and Monterey Peninsula Water Management District to provide a framework for negotiation of a Definitive Agreement; and, recommending approval and execution by the Monterey County Water Resources Agency Board of Supervisors.

David Chardavoine, General Manager, presented this item for consideration by the Committee. He noted that currently CSIP requires approximately 24,800 acre-feet annually. The recycled water component is 15,500 acre-feet; the SRDF component (non-drought years) is 6,100 acre-feet; and the supplemental well component is 3,200 acre-feet. In addition, wastewater flows to the recycled water facility are not increasing and seawater intrusion has not been halted. Additional irrigation waters are needed and the Pollution Control Agency requires uncontested source water for its proposed Groundwater Replenishment (“GWR”) Project.

He stated that there are three options: one is to do nothing and the seawater intrusion problem remains. Improvement in water quality in the Blanco Drain may be required in the future. The second option would be to construct stand-alone facilities to treat Blanco Drain and Reclamation Ditch waters to irrigation water quality. This would allow expansion of CSIP but is cost prohibitive. Option three is to expand the utilization of Pollution Control Agency facilities. This would require a quid pro quo to avoid capacity charges and it allows expansion of CSIP. The MOU needs to be adopted and executed by all the parties. A definitive agreement needs to be negotiated among the parties on or before March 31, 2015.

Mr. Chardavoine described the sources to be developed in Phase 1. These include Salinas agricultural wash water, a portion of the Reclamation Ditch water, Blanco Drain water, storm water and a portion of the Tembladero Slough water. He noted that Phase I costs are to be included in the definitive agreement and accounting protocols are to be established in a separate written agreement.

The sources to be developed in Phase 2 are the remaining Reclamation Ditch water; remaining Tembladero Slough water and other sources. The projected amounts are 3,754 acre-feet for CSIP area replacement water. All existing wastewater volume is committed to CSIP.

The benefits of the proposed CSIP expansion and GWR project include expanding water available to CSIP, creating potential for reduced CSIP pumping and/or additional lands. It also creates benefits from winter wastewater previously discharged to the ocean and accelerates physical treatment solution for impaired surface waters. Other benefits include a reduction in capital cost with credit for unproven effects of ag wash water pond infiltration and percolation. It builds a drought reserve and shares capital costs of facilities and water rights acquisition, resolves cost accounting concerns and ends any Amendment No. 3 controversies.

Public Comment:

Nancy Isakson, Salinas Valley Water Coalition, stated that she was pleased and congratulated everyone involved for their hard work. She noted that the Coalition Board has not had the opportunity to review the MOU and would like to do so next week.

She encouraged staff not to include references to “surface water rights” in the final agreement and if it is referring to the Blanco Drain or the Reclamation Ditch it should be

clarified. She also suggested clarifying Item 3(i) as to what type of rights i.e. right to purchase, right to use etc. She also suggested eliminating Item 3(v) from the MOU.

Dave Stoldt, Monterey Peninsula Water Management District, commended the WRA staff and board members for all their hard work. He commented that this agreement is a “win-win” for all. He clarified that with regard to Item 3(d) the water rights are only specific to Blanco Drain, Tembladero Slough and the Reclamation Ditch and those waters do need to move forward under this agreement in combination with wastewater. It’s not a wastewater only agreement. He clarified Item 3(i) stating that it is rights to utilize. With regard to Item 3(v) this is an option only.

Dennis Allion, Monterey Regional Water Pollution Control Agency, commented that the agreement is good for the regional needs. He has gotten to know many of the growers over that last five to six months during this process and he believes that the MOU reflects the concerns of the growers and is at a point where it can move forward and he hopes that the Committee will endorse the MOU, and that the full Board accepts it and the Board of Supervisors will endorse this MOU.

Keith Israel, Monterey Regional Water Pollution Control Agency, commented that he appreciated all the great work that has been done. This is an opportunity for five entities to all benefit in a very positive way. He hopes the MOU will get ratified and move on to the Board.

The Committee members commented that they were very proud of the efforts that bring the entities with mutual concerns together. There is still a lot of work to do. They would like to bring the regional stakeholders together for one more meeting and asked if there was time to do so. Mr. Chardavoyne responded in the affirmative. He suggested that along with the group that was involved in the negotiations, others should be informed that the meeting is taking place so they can attend thereby acquiring input from a larger group. This is time sensitive since the PCA needs to know whether to request a time extension or not.

Committee Action:

Upon Motion made by Committee Member Dave Hart and seconded by Committee Member John Huerta the Committee received the update and recommended that the full Board approve a Memorandum of Understanding regarding Source Waters and Water Recycling by and between Monterey Regional Water Pollution Control Agency, the Monterey County Water Resources Agency, the City of Salinas, the Marina Coast Water District and Monterey Peninsula Water Management District to provide a framework for negotiation of a Definitive Agreement and recommending approval and execution by the Monterey County Water Resources Agency Board of Supervisors; and requested that there be one more stakeholder meeting held before the Board of Directors meeting on September 22, 2014.

- 9. Consider receiving an update on Monterey Regional Water Pollution Control Agency (MRWPCA) and Water Resources Agency (WRA) reconciliation of FY 2013-14 annual seed allocation with respect to WRA assuming responsibility for billing and collection of water delivery and water service charges in October 2013 and MRWPCA’s repayment of prior year retained seed allocations previously managed by MRWPCA; and, provide direction to Staff regarding for FY 2014-15 and future annual CSIP/SVRP/SRDF seed allocations.**

Cathy Paladini, Finance Manager, provided information regarding this item. She noted that the Agency took over the billing and collections for the water delivery/service charges in October 2013 and is still seeking reimbursement from MRWPCA of the FY 2012-13 retained seed money from that period. Agency records show that MRWPCA owes the Agency \$162,437 for the CSIP project and \$525,239 for the SRDF, however this is without confirmation of beginning balances from MRWPCA. The Agency has paid only one-half of the FY 2013-14 annual seed money and MRWPCA is requesting to seek reimbursement of FY 2013-14 once their audit is complete in early October

The Agency is requesting MRWPCA pay the several outstanding invoices which include insurance allocation for FY 2013-14 in the sum of \$75,000; accounts receivable from an account the Agency was informed was fully collected upon by MRWPCA in October 2013 in the amount of \$ 55,092.65, and reimbursement for a \$5,000 CSIP equipment part that was to be paid for by the SWRCB reserve balance held by MRWPCA for un-budgeted work on CSIP.

She stated that both Agencies agree that resolution of these issues and reconciliation needs to take place now before it hinders future operations.

Public Comment:

Mr. Keith Israel of the MRWPCA introduced Mr. Paul Sciuto, Deputy General Manager of the MRWPCA, who agreed that all the items need to be reconciled and that his agency's audit will be completed by the end of September 2014. Reconciliation will take place by the end of October 2014. He noted that a staff meeting will be held to go over the items at the end of September 2014.

Committee members expressed concern that these issues may resurface in the future to which staff responded that if the system is in place this should not reoccur.

Committee Action:

Upon Motion made by Committee Member John Huerta and seconded by Committee Member Dave Hart the Committee received the update on Monterey Regional Water Pollution Control Agency (MRWPCA) and Water Resources Agency (WRA) reconciliation of FY 2013-14 annual seed allocation with respect to WRA assuming responsibility for billing and collection of water delivery and water service charges in October 2013 and MRWPCA's repayment of prior year retained seed allocations previously managed by MRWPCA.

At this time the Finance Committee adjourned because Committee Member John Huerta left the meeting resulting in the lack of a quorum.

6. ADJOURNMENT

The Committee adjourned at 11:00 a.m.

Submitted by: Alice Henault

Approved on: October 10, 2014