

**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 28, 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: Claude Hoover, David Hart, Ken Ekelund, John Huerta (arrived @ 10:10 a.m.)
Members Absent: None

A quorum was established.

At this time Staff requested that an additional item be added to the Agenda as Item No. 15:

Consider approving the General Manager to enter into a future professional services agreement with Tesco Controls, Inc., in an amount not to exceed \$110,000, for expediting the modifications and improvements to the Espinosa Booster Pump Station; and, authorize the General Manager to execute the agreement, and all ancillary agreements related to the Espinosa Booster Pump Station.

Committee Action:

Upon Motion made by Committee Member Ken Ekelund and seconded by Committee Member Dave Hart the Committee agreed to add Item No. 15 to the Agenda.

2. **Public Comment**
None
3. **Approve the Minutes of the Finance Committee Meeting held on March 14, 2014**

Committee Action:

Upon Motion made by Committee Member Dave Hart and seconded by Committee Member Ken Ekelund the Committee approved the March 14, 2014 Finance Committee Minutes. John Huerta was absent at this time.

4. **Receive the February 2014 Financials for the Castroville Seawater Intrusion Project/Salinas Valley Reclamation Project, and the Salinas River Diversion Facility.**
Chris Moss, Water Resources Engineer, reviewed the February 2014 Financials for the CSIP/SVRP/SRDF. In his review he noted that the January 2014 expenditure report for the Salinas River Diversion Facility contained a \$50,000 expense for sludge disposal costs. This was a clerical error and the \$50,000 expenditure item should have been placed in the "Equipment Replacement" category instead. The correction was made in the February financials report. In addition he noted that with regard to the SVRP Expenditure Report the labor element was at 80%. This is because the plant ran through this last winter, which is not typical, thus driving the labor cost upward.

Committee Action:

Upon Motion made by Committee Member Ken Ekelund and seconded by Committee Member David Hart, the Committee received the February 2014 Financials for the Castroville Seawater Intrusion Project/Salinas Valley Reclamation Project and the Salinas River Diversion Facility.

5. **Receive the February 2014 Financials for all Agency Funds.**
Cathy Paladini, Finance Manager, reviewed the February 2014 Financials for all Agency Funds. She noted that year-to-date revenues are at \$11,574,069. Year-to-date expenditures are \$8,468,250.

Committee Action:

Upon Motion made by Committee Member John Huerta and seconded by Committee Member Ken Ekelund, the Committee received the February 2014 Financials for all Agency Funds.

6. **Approve Purchase Orders/Contracts/Credit Card Purchases in excess of \$500.**
Cathy Paladini reviewed the purchase orders/contracts/credit card purchases.

Committee Action:

Upon Motion made by Committee Member Ken Ekelund and seconded by Committee Member John Huerta, the Committee approved the Purchase Orders/Contracts/Credit Card Purchases in excess of \$500.

7. **Receive the July 2013 – March 2014 Board of Directors Fees and Mileage Report and the July 2013 – March 2014 Travel, Training & Food Expenses Report**
Cathy Paladini, Finance Manager, reviewed the reports.

Committee Action:

Upon Motion made by Committee Member Dave Hart and seconded by Committee Member John Huerta, the Committee received the July 2013 – March 2014 Board of Directors Fees and Mileage Report and the July 2013 – March 2014 Travel, Training & Food Expenses Report.

8. **Consider receiving information regarding the MRWPCA FY 2014-15 approved budget and advise the Water Resources Agency staff on how to proceed with any additional FY 2014-15 budget reductions.**

Cathy Paladini, Finance Manager, reviewed the MRWPCA FY 2014-15 approved budget. Agency staff had been asked to work with the MRWPCA to identify expenditures that could be deferred to reduce the use of \$920,179 in Fund Balance in the following Funds: 131-CSIP: \$345,941, 132- SVRP: \$505,625; and 134-SRDF O &M: \$68,613. She provided the

Committee with a matrix identifying several activities where budget reductions had been suggested and subsequently discussed with the PCA. From these discussions with the PCA, it was determined that there were significant risks involved if these reductions occurred.

Committee Action:

Upon Motion made by Committee Member Ken Ekelund and seconded by Committee Member John Huerta, the Committee received the information regarding the MRWPCA FY 2014-15 approved budget and proposed the following recommendations: a) Make no reductions to the approved MRWPCA budget; b) request MRWPCA to request \$323,000 from the State Department of Water Resources Control Board which is available for Capital Projects; and c) follow up to approve MRWPCA indirect costs methodology.

9. **Consider recommending the Agency Board of Directors recommend that the Monterey County BOS approve a resolution to allocate an amount up to \$1,000,000 annually, from the Monterey County's General Fund for the next three years to fund an Environmental Impact Report for the utilization of Water Right Permit #11043 to enhance and complement ongoing projects undertaken by the Agency to combat seawater intrusion and nitrate levels in the Basin.**

Rob Johnson, Chief of Water Resources Planning and Assistant General Manager, provided information regarding this item. He noted that the Agency continues to move forward on the milestones set forth in the Settlement Agreement regarding Water Rights Permit #11043. These milestones are: 1) developing a Notice of Preparation to initiate the environmental analysis process; 2) developing a financing plan; and 3) planning for the writing of an Environmental Impact Report.

The funding requested would provide for a consultant to develop and complete an EIR, staff and a consultant to develop a financing plan, and for a dedicated contracted person to focus on this effort. The contracted person would manage the EIR consultant, provide updates to the governing bodies, manage the day-to-day staff activities that would support the development of the EIR, and other duties as the process progresses. The Agency's budget does not allow for the resources necessary to initiate and complete an EIR.

A discussion ensued wherein the Committee determined that in addition to continuing the discussion at the upcoming Board of Directors meeting, Staff needs to provide a more detailed project budget and objectives before approaching the Board of Supervisors for this funding. The Committee suggested adding "other County resources" to this title in order to cover all resources that may be available to fund the development of the EIR.

Committee Action:

Upon Motion made by Committee Member Ken Ekelund and seconded by Committee Member Dave Hart, the Committee recommended that the Board of Directors recommend that the Monterey County Board of Supervisors approve a resolution to allocate an amount of up to \$1,000,000 annually, from the Monterey County's General Fund, or other County resources, for the next three years to fund an Environmental Impact Report for the utilization of Water Rights permit #11043 to enhance and complement ongoing projects undertaken by the Agency to combat seawater intrusion and nitrate levels in the Basin.

- 10. Consider recommending the Agency Board of Directors recommend that the Monterey County BOS approve a resolution to allocate an amount up to \$1,500,000 annually for the next five years to funds current Salinas River Stream Maintenance Program and future Salinas River Management Program efforts.**

Rob Johnson, Chief of Water Resources Planning and Assistant General Manager, provided information regarding this item. After providing some historical background to this item he noted that in order to obtain the required permits for the Salinas River Stream Maintenance Program, the Agency has to provide a complete application package to the Corps of Engineers and the Central Coast Regional Water Quality Control Board. The package reflects a new approach to stream maintenance efforts and the resources needed to provide the services required are not fully known at this time. Staff is working with various stakeholders such as The Nature Conservancy, the Salinas River Channel Coalition, the Growers-Shippers Association and others to develop a project description that will represent the various types of maintenance activities that need to occur for flood protection.

In addition to this new process for stream maintenance, a longer term program needs to be developed that looks at river management as compared to stream maintenance thus the Salinas River Management Program was conceived. As the SRSMP process moves forward, additional fiscal and staff resources will be necessary to accommodate the new work, as well as initiating the SRMP effort. Staff has evaluated the resources needed to do the SRSMP tasks and the SRMP work. The Agency is requesting \$1,500,000 a year for five years to do the following: a) \$500,000 annually for SRSMP tasks, and b) \$1,000,000 for work on the SRMP, which includes working with numerous stakeholders and regulatory agencies on studies, environmental reports, and planning efforts.

A discussion ensued wherein the Committee determined that in addition to continuing the discussion at the upcoming Board of Directors meeting, Staff needs to provide a more detailed project budget and objectives before approaching the Board of Supervisors for this funding. The Committee suggested adding "other County resources" to this title in order to cover all resources that may be available to fund the development of the EIR.

Committee Action:

Upon Motion made by Committee Member Ken Ekelund and seconded by Committee Member Dave Hart, the Committee recommended that the Board of Directors recommend that the Monterey County Board of Supervisors approve a resolution to allocate an amount of up to \$1,500,000 annually, from the Monterey County's General Fund, or other County resources, for the next five years to fund current Salinas River Stream Maintenance Program and future Salinas River Management Program efforts.

- 11. Consider approving no changes in the Fiscal Year 2014-2015 assessment rates and water delivery and service charges for Zones 2B, 2Y, and 2Z for the Castroville Seawater Intrusion Project (CSIP) and the Salinas Valley Reclamation Project (SVRP); and, recommending adoption to the Monterey County Water Resources Agency Board of Supervisors.**

Prior to hearing this item, Claude Hoover recused himself because of a possible conflict of interest. He is a landowner within Zone 2B.

Cathy Paladini, Finance Manager, provided information regarding this item. She noted that Zones 2B, 2Y, and 2Z were established to provide revenue to construct, operate and maintain the CSIP and the SVRP, and include debt service for the municipal bonds, a State

Revolving Fund loan, and a Small Reclamation Projects loan from the U.S. Bureau of Reclamation that funded the construction of the projects. This item will be also brought before the full Board of Directors who may approve and recommend the Fiscal Year 2014-2015 assessments and charges to the Board of Supervisors.

Committee Action:

Upon Motion made by Committee Member John Huerta and seconded by Committee Member Ken Ekelund, the Committee recommended that the Board of Directors approve no changes in the Fiscal Year 2014-2015 assessment rates and water delivery and service charges for Zones 2B, 2Y, and 2Z for the Castroville Seawater Intrusion Project (CSIP) and the Salinas Valley Reclamation Project (SVRP); and, recommend adoption to the Monterey County Water Resources Agency Board of Supervisors.

- 12. Consider approving a 2.4% COLA increase in benefit assessment charges for Fiscal Year 2014-2015 for Zones 1, 1A, 8, 9, 12 and 17; and, recommending adoption to the Monterey County Water Resources Agency Board of Supervisors.**

Cathy Paladini, Finance Manager, provided information regarding this item. She noted that the Total of \$1,616,055 for Fiscal Year 2014-2015 is an estimate for these Zones and includes a 2.4% COLA increase. This item will be also brought before the full Board of Directors who may approve or lower any of the assessments before making a recommendation to the Board of Supervisors.

Committee Action:

Upon Motion made by Committee Member John Huerta and seconded by Committee Member Ken Ekelund, the Committee recommended that the Board of Directors approve a 2.4% COLA increase in benefit assessment charges for Fiscal Year 2014-2015 for Zones 1, 1A, 8, 9, 12 and 17; and, recommend adoption to the Monterey County Water Resources Agency Board of Supervisors.

- 13. Consider approving a 2.4% COLA increase in Zone 2C assessment charges for Fiscal Year 2014-2015; and, recommending adoption to the Monterey County Water Resources Agency Board of Supervisors.**

Cathy Paladini, Finance Manager, provided information regarding this item. She noted that the Fiscal Year 2014-2015 Budget figures are estimated to be \$4,320,763 and may vary slightly with what is actually collected. The Fiscal Year 2014-2015 assessments include a 2.4% cost of living increase for the Operations and Maintenance and the Administration components. There is no COLA increase for the Spillway and Diversion Facility rates for Fiscal Year 2014-2015. This item will be also brought before the full Board of Directors who may approve or lower any of the assessments before making a recommendation to the Board of Supervisors.

Committee Action:

Upon Motion made by Committee Member John Huerta and seconded by Committee Member Dave Hart, the Committee recommended that the Board of Directors approve a 2.4% COLA increase in Zone 2C assessment charges for Fiscal Year 2014-2015; and, recommend adoption to the Monterey County Water Resources Agency Board of Supervisors.

- 14. Consider recommending for approval by the full Board and, recommending that the Monterey County Water Resources Agency Board of Supervisors approve a Budget Amendment authorizing the Auditor-Controller to amend the Monterey County**

Water Resources Agency's Fiscal Year 2013-2014 Budget for an Application to the State Water Resources Control Board for rights to water in the Fund 122 Reclamation Ditch in the amount of \$375,000 and related legal costs in the amount of \$50,000.

- A. Increase appropriation in Fund 122 (Reclamation Ditch), Dept. 9300, Unit 8267, Appropriation Unit WRA012, Account 6835 (Other Special Departmental Expenses) by \$375,000, financed by available unassigned Fund Balance Account 3101, (4/5th vote required);**
- B. Increase appropriation in Fund 122 (Reclamation Ditch), Dept. 9300, Unit 8267, Appropriation Unit WRA 012, Account 6606 (Legal Service – External) by \$50,000 financed by available Unassigned Fund Balance Account 3101, (4/5th vote required); and,**
- C. Authorize the Auditor-Controller's Office to incorporate approved Appropriation and estimated Revenue modifications to the FY 2013-14 Budget, and the County Administrative Office to reflect these approved changes in the FY 2014-15 Adopted Budget, (4/5th vote required).**

Cathy Paladini, Finance Manager, provided information regarding this item. She noted that a Budget Amendment is needed to cover the cost of an application to the State Water Resources Control Board for rights to water in the Reclamation Ditch \$375,000 and related legal costs \$50,000. This will reduce the June 30, 2015 ending fund balance in Fund 122 from \$748,426 to \$323,426.

The Committee expressed concerns over potentially submitting the application fee of \$375,000 to the State Water Resources Control Board and it not being refunded should the SWRCB reject the Agency's application.

Committee Action:

Upon Motion made by Committee Member Dave Hart and seconded by Committee Member John Huerta, the Committee recommended forwarding this item to the full Board of Directors for further discussion.

- 15. Consider recommending that the Board of Directors authorize the General Manager to enter into a future Professional Services Agreement with PERC in an amount not to exceed \$250,000 for completion of a Customized Design Report as set forth in PERC's April 1, 2014 Proposal; and, authorize the General Manager to execute the Agreement.** David Chardavoyne, General Manager provided information regarding this item. He noted that in an effort to identify an approach to settle matters in *Monterey Coastkeeper v. Monterey County Water Resources Agency*, Monterey County Superior Court Case No. M108858, without the expense of a trial, MCWRA has proposed that a treatment facility be constructed to treat Blanco Drain and Reclamation Ditch waters for beneficial use.

On February 21, 2014, the Agency hosted a meeting with PERC Water Corporation (PERC), with Alco Water Service, California Water Service, Castroville CSD, City of Salinas, and Marina Coast Water district in attendance. PERC is ready, willing and able to finance, design-build, own, operate and, in the future, transfer a treatment facility fully capable of producing a project of drinking water quality. Alco Water Service and California Water Service desire to reduce groundwater pumping due to water quality issues, Castroville CSD has immediate sea water intrusion issues, and Marina Coast Water District

has requested 4,500 acre-ft./year from MCWRA. Staff indicated that this sum would come out of Fund 122.

MCWRA has requested and received a Customized Design Report Proposal, dated April 1, 2014 for a Water Supply Project that will treat Blanco Drain and Reclamation Ditch water and produce drinking water quality water. The cost of the Customized Design Report is \$250,000, which cost is reimbursable by PERC if the Water Supply Project proceeds.

The Committee asked if the litigation would halt if this project moved forward to which Staff responded in the affirmative. Also asked was if Monterey Coastkeepers would participate in the cost or the effort of this project, to which staff responded that this was proposed to Monterey Coastkeepers but as yet there has been no reply. It was determined that this item required further discussion and the Committee asked that it be forwarded to the full Board of Directors.

Committee Action:

Upon Motion made by Committee Member Dave Hart and seconded by Committee Member John Huerta, the Committee recommended forwarding this item to the full Board of Directors for further discussion.

- 16. Consider approving the General Manager to enter into a future professional services agreement with Tesco Controls, Inc., in an amount not to exceed \$110,000, for expediting the modifications and improvements to the Espinosa Booster Pump Station; and, authorize the General Manager to execute the agreement, and all ancillary agreements related to the Espinosa Booster Pump Station.**

Mark Foxworthy, Water Resources Engineer, provided information regarding this item. He noted that The Espinosa Booster Pump Station provides supplemental system pressure to that portion of the CSIP system with the highest terrain elevations. Pressures monitored at Turnout No. 231, have been observed to fall below the minimum pressure of 10 psi required for optimum irrigation operations.

It was determined by Staff that redesign of the three existing pumps, and the modification of one pump will eliminate the low-pressure conditions at Turnout 231. Final design of the improvements is pending a peer review by Schaaf & Wheeler of the CSIP hydraulic model used in the preliminary design. The peer review should be complete by mid-May. A final design for modifications to the Espinosa Booster Station will then be completed.

The purpose of this Professional Service Agreement with TESCO Controls is to expedite the completion of the Espinosa Booster Station project. TESCO Controls, Inc. had responded to the Agency's RFP, sent out in February, and was chosen to supply the electrical and control systems needed for this project. TESCO provided an estimate for services based on the preliminary design and criteria for approximately \$76,000. A revised estimate from TESCO, based on a final design, will be required prior to the execution of any agreement.

Committee Action:

Upon Motion made by Committee Member John Huerta and seconded by Committee Member Ken Ekelund, the Committee recommended to the full Board of Directors that the General Manager enter into a future professional services agreement with Tesco Controls, Inc., in an amount not to exceed \$110,000, for expediting the modifications and improvements to the Espinosa Booster Pump Station; and, authorize the General Manager to execute the agreement, and all ancillary agreements related to the Espinosa Booster Pump Station.

17. SET NEXT MEETING DATE AND DISCUSS FUTURE AGENDA ITEMS

The next meeting date is May 9, 2014 at 10:00 a.m. No future agenda items were discussed.

18. ADJOURNMENT

The Committee adjourned at 12:05 p.m.

Submitted by: Alice Henault

Approved on: June 20, 2014