

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

FINANCE COMMITTEE

COMMITTEE MEMBERS

Claude Hoover (Chair)
David Hart
Ken Ekelund
Richard Ortiz

TIME: 10:00 a.m.
DATE: Friday, June 21, 2013
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, Richard Ortiz
Members Absent: None

A quorum was established.

2. **PUBLIC COMMENT**
None

3. **APPROVE THE MINUTES OF THE FINANCE COMMITTEE MEETING HELD ON MAY 10, 2013**

COMMITTEE ACTION: Upon Motion made by Committee Member Richard Ortiz and seconded by Committee Member David Hart, the Committee approved the May 10, 2013 Finance Committee Minutes.

4. **RECEIVE THE APRIL 2013 FINANCIALS FOR THE CASTROVILLE SEAWATER INTRUSION PROJECT/SALINAS VALLEY RECLAMATION PROJECT AND SALINAS RIVER DIVERSION FACILITY**

Manuel Saavedra, Water Resources Engineer, reviewed the financials for the CSIP/SVRP /SRDF. He noted that the projects were at 83% of their budget cycle and there was nothing out of the ordinary to report.

COMMITTEE ACTION: Upon motion made by Committee Member Dave Hart and seconded by Committee Member Richard Ortiz, the Committee received the April 2013 Financials for the Castroville Seawater Intrusion Project/Salinas Valley Reclamation Project and Salinas River Diversion Facility.

5. **RECEIVE THE APRIL 2013 FINANCIALS FOR ALL AGENCY FUNDS**
Cathy Paladini, Finance Manager, reviewed the April financials for all Agency funds. She noted that the Pollution Control Agency holds back some of the water delivery revenue in order to pay expenses. They will then pay the Agency the balance at the end of the year. The Agency is receiving a partial insurance claims payout which is held by the County Risk Management Division. This will not be paid out in full until August, 2013. No reserves were touched in April, 2013.

COMMITTEE ACTION: Upon motion made by Committee Member Ken Ekelund and seconded by Committee Member Richard Ortiz, the Committee received the April financials for all Agency funds.

6. **APPROVE PURCHASE ORDERS/CONTRACTS AND CREDIT CARD PURCHASES IN EXCESS OF \$500**
Cathy Paladini, reviewed purchase orders/contracts and credit card purchases in excess of \$500.

COMMITTEE ACTION: Upon motion made by Committee Member Dave Hart and seconded by Committee Member Ken Ekelund, the Committee approved the purchase orders/contracts and credit card purchases in excess of \$500.

7. **CONSIDER RECEIVING REPORT ON REIMBURSEMENT FOR INTERIM SERVICES OF CHIEF DEPUTY AUDITOR-CONTROLLER**
David Chardavoyne, General Manager, reviewed information on the request for reimbursement for interim services of the Chief Deputy Auditor-Controller. He noted that following the separation of the Agency's General Manager and Finance Manager, the Controller placed a Chief Deputy Auditor-Controller on site to oversee and review accounting transactions through Fiscal Year 2012-2013. The Agency is being asked by the County for reimbursement of the Chief Deputy Auditor-Controller's salary and benefits totaling \$176,364.24. The item was placed on the Board of Supervisors Meeting Agenda for June 25, 2013 as Consent Item No. 70.

The Committee disagreed that the total sum is to be paid by the Agency and was disappointed that this item was not discussed with Committee Members and the Agency prior to being placed on the Board of Supervisors' agenda. After discussing several options for addressing the matter, the Committee determined that the issue should remain on the Board of Supervisors Meeting Agenda for Tuesday, June 25, 2013.

COMMITTEE ACTION: Upon motion made by Committee Member Ken Ekelund and seconded by Committee Member Dave Hart, the Committee received the report on reimbursement for the interim services of Chief Deputy Auditor-Controller.

8. **CONSIDER APPROVING AMENDMENT NO. 3 TO THE PROFESSIONAL SERVICES AGREEMENT WITH AECOM TECHNICAL SERVICES, INC., IN THE AMOUNT OF \$35,000 FOR PROVIDING SAFETY SURVEILLANCE AND PERFORMANCE EVALUATION OF SAN ANTONIO DAM; AND, AUTHORIZING THE GENERAL MANAGER TO EXECUTE THE AMENDMENT**
Chris Moss, Senior Engineer, reviewed Amendment No. 3 with AECOM. He noted that it was recommended in 2010 that the contract with AECOM be renewed on an annual basis

for five years in order to maintain consistency in the performance evaluation of San Antonio Dam, and to reduce RFP expenses for the Agency. Amendment No. 2 expires on June 30, 2013. The annual contract renewal with AECOM is dependent upon satisfactory completion of each year's Scope of Work and the continuation of Mr. Stanley Kline as the project engineer. AECOM has rendered satisfactory services over the past year. Amendment No. 3 will cover year 4 of 5 (fiscal year 2013-14).

COMMITTEE ACTION: Upon motion made by Committee Member Ken Ekelund and seconded by Committee Member Richard Ortiz, the Committee recommended approval of Amendment No. 3 to the Professional Services Agreement with AECOM technical Services, Inc., in the amount of \$35,000 for providing safety surveillance and performance evaluation of San Antonio Dam; and recommends authorizing the General Manager to execute the Amendment.

9. **CONSIDER RECOMMENDING THAT THE MONTEREY COUNTY WATER RESOURCES AGENCY BOARD OF DIRECTORS AND BOARD OF SUPERVISORS APPROVE A BUDGET AMENDMENT AUTHORIZING THE AUDITOR-CONTROLLER TO AMEND THE MONTEREY COUNTY WATER RESOURCES AGENCY'S FISCAL YEAR 2012-2013 BUDGET, TRANSFERRING \$509,375 FROM FUND 111 (HYDRO STABILIZATION RESERVE) OF WHICH \$97,444 WILL TRANSFER TO FUND 130 (HYDRO-ELECTRIC OPERATIONS); \$288,405 WILL TRANSFER TO FUND 113 (COUNTYWIDE); AND, \$123,526 WILL TRANSFER TO FUND 114 (ZONE 2 NACIMIENTO NON-O&M) AS A RESULT OF LOWER WATER FLOWS IN THE DAM, ONGOING REPAIR WORK AND LOWER PG&E RATES IN POWER AGREEMENT SALES.**
- a. **INCREASE APPROPRIATION IN FUND 111 (ADMINISTRATION), DEPT. 9300, UNIT 8267, APPROPRIATION UNIT WRA001, ACCOUNT 7614,(OPERATING TRANSFER OUT) BY \$509,375;**
 - b. **INCREASE ESTIMATED REVENUES IN FUND 130 (HYDRO-ELECTRIC OPERATIONS), DEPT. 9300, UNIT 8267, APPROPRIATION UNIT WRA022, ACCOUNT 5940 (OPERATING TRANSFERS IN) BY \$97,444;**
 - c. **INCREASE ESTIMATED REVENUES IN FUND 113 (COUNTYWIDE FUND), DEPT. 9300, UNIT 8267, APPROPRIATION UNIT WRA003, ACCOUNT 5940 (OPERATING TRANSFERS IN) BY \$288,405 (4/5TH VOTE REQUIRED); AND**
 - d. **INCREASE ESTIMATED REVENUES IN FUND 114 (ZONE 2 NACIMIENTO NON-O&M), DEPT. 9300, UNIT 8267, APPROPRIATION UNIT WRA003, ACCOUNT 5940 (OPERATING TRANSFERS IN) BY \$123,526.**

Cathy Paladini, Finance Manager II, reviewed this Budget Amendment with the Committee. She noted that a reduction in Hydro-Electric Revenue in Fund 130 (Hydro-Electric Operations) lower water flows, ongoing dam repairs, and lower PG&E rates in Agency Power agreements has caused a lower estimate in the business interruption claim to the Insurance Company. In accordance with the Salinas Valley Water Project financing arrangements, all Agency Ad Valorem taxes in the above funds must be utilized first and foremost to finance annual bond payments. Due to lower than expected Hydro-Electric Revenue, the remaining money after the bond payment was made has caused the Agency to utilize \$509,375 from Fund 111 (Hydro Stabilization Reserve) to backfill the lost Ad Valorem taxes in Funds 130, 113, 114 and 115.

COMMITTEE ACTION: Upon motion made by Committee Member Ken Ekelund and seconded by Committee Member Dave Hart, the Committee recommends that the Monterey County Water Resources Agency Board of Directors and board of Supervisors approve a budget amendment authorizing the Auditor-Controller to amend the Monterey County Water Resources Agency's Fiscal year 2012-2013 budget, transferring \$509,375 from Fund 111 (Hydro Stabilization Reserve) of which \$97,444 will transfer to Fund 130 (Hydro-Electric Operations); \$288,405 will transfer to Fund 113 (Countywide); and, \$123, 526 will transfer to Fund 114 (Zone 2 Nacimiento Non-O&M) as a result of lower water flows in the dam ongoing repair work and lower PG&E rates in Power Agreement sales.

- a. Increase appropriation in Fund 111 (Administration), Dept. 9300, Unit 8267, Appropriation Unit WRA001, Account 7614, (Operating Transfer Out) by \$509,375;
 - b. Increase estimated revenues in Fund 130 (Hydro-Electric Operations), Dept. 9300, Unit 8267, Appropriation Unit WRA022, Account 5940 (Operating Transfers In) by \$97,444;
 - c. Increase estimated revenues in Fund 113 (Countywide Fund), Dept. 9300, Unit 8267, Appropriation Unit WRA003, Account 5940 (Operating transfers In) by \$288,405; and
 - d. Increase estimated revenues in Fund 114 (Zone 2 Nacimiento Non-O&M), Dept. 9300, Unit 8267, Appropriation Unit WRA003, Account 5940 (Operating Transfers In) by \$123,526.
10. **CONSIDER RECOMMENDING THAT THE MONTEREY COUNTY WATER RESOURCES AGENCY BOARD OF DIRECTORS AND BOARD OF SUPERVISORS RECOGNIZE THE NET PREVIOUSLY RECEIVED AMOUNT OF \$644,209.05 FROM THE CALIFORNIA AMERICAN WATER COMPANY (CAW) LINE OF CREDIT (DRAWS 1 AND 2) ALL IN ACCORDANCE WITH THE DECEMBER 4, 2012 SETTLEMENT AGREEMENT AMONG THE MONTEREY COUNTY WATER RESOURCES AGENCY, CAW AND THE COUNTY OF MONTEREY; AND, REALLOCATE REVENUE OF \$644,209.05 IN FUND 425 TO ASSESSMENT-BASED FUNDS AS REIMBURSEMENT OF REGIONAL DESALINATION PROJECT COSTS INCURRED FROM THOSE FUNDS IN CALENDAR YEARS 2009, 2010 AND 2011, EXCLUDING CONFLICT OF INTEREST COSTS AND EXPENSES.**
- a. **TRANSFER \$644,209.05 FROM LIABILITY ACCOUNT "BALANCE DUE TO OTHERS" (FUND 425), DEPT. 9300, UNIT 8267, APPROPRIATION UNIT WRA035, ACCOUNT 2569 TO REVENUE ACCOUNT "INSURANCE & OTHER RECOVERIES," DEPT. 9300, UNIT 8267, APPROPRIATION UNIT WRA035, ACCOUNT 5370; AND,**
 - b. **REALLOCATE REVENUE \$644,209.05 FROM "INSURANCE & OTHER RECOVERIES" (FUND 425), DEPT. 9300, UNIT 8267, APPROPRIATION UNIT WRA035, ACCOUNT 5870 TO THE FOLLOWING FUNDS: 112, 113, 116, 119, 122, 127, 131 AND 134 THAT ORIGINALLY INCURRED REGIONAL DESALINATION PROJECT COSTS.**

Cathy Paladini, Finance Manager II, reviewed this item with the Committee. She noted that the Agency is requesting this transaction to move the net amount of the CAW forgiven Line of Credit (Draws 1 &2) per the December 4, 2012 Settlement Agreement to reimburse

Agency Funds that are funded by assessments and that originally incurred costs of the Regional Desalination Project during the FY 2009 – 11 period, excluding conflict of interest costs and expenses.

COMMITTEE ACTION: Upon motion made by Committee Member Ken Ekelund and seconded by Committee Member Dave Hart, the Committee recommends that the Monterey County Water Resources Agency Board of Directors and board of Supervisors recognize the net previously received amount of \$644,209.05 from the California American Water Company (CAW) line of credit (Draws 1 and 2) all in accordance with the December 4, 2012 Settlement Agreement among the Monterey County Water Resources Agency, CAW and the County of Monterey; and reallocate revenue of \$644,209.05 in Fund 425 to assessment based funds as reimbursement of Regional Desalination Project costs incurred from the those funds in calendar years 2009, 2010 and 2011, excluding conflict of interest costs and expenses.

a. Transfer \$644,209.05 from liability account “Balance Due to Others” (Fund 425), Dept. 9200, Unit 8267, Appropriation Unit WRA035, Account 2569 to revenue account “Insurance & Other Recoveries”, Dept. 9300, Unit 8267, Appropriation Unit WRA 035, Account 5370; and

b. Reallocate revenue \$644,209.05 from “Insurance & Other Recoveries” (Fund 425), Dept. 9300, Unit 8267, Appropriation Unit WRA 035, Account 5870 to the following funds: 112, 113, 116, 119, 122, 127, 131 and 134 that originally incurred Regional Desalination Project costs.

11. **CONSIDER RECOMMENDING THAT THE FULL BOARD OF DIRECTORS APPROVE AMENDMENT NO. 1 TO THE LEGAL SERVICES AGREEMENT WITH DOWNEY BRAND ATTORNEYS, LLP IN THE AMOUNT OF \$250,000 FOR LEGAL SERVICES IN CONNECTION WITH THE PROPOSED REVOCATION OF PERMIT NO. 11043 BY THE STATE WATER RESOURCES CONTROL BOARD (SWRCB); AND, AUTHORIZING THE GENERAL MANAGER TO EXECUTE THE AMENDMENT.**

Cathy Paladini, Finance Manager II, reviewed Amendment No. 1 with Downey Brand and noted that Downey Brand has been actively preparing to oppose the revocation of Permit 11043 since the hearing was noticed on November 24, 2012. The Legal Services Agreement with the Amendment No. 1 will formalize their representation and set a budget for legal services associated with opposing the revocation of Permit 11043.

The legal agreement with Downey Brand Attorneys, LLP, as approved by the Board of Directors on February 25, 2013, was for \$100,000 for legal expenses. The agreement was established in order to provide the necessary legal services associated with the proposed revocation of Permit No. 11043 by the SWRCB. The proposed \$250,000 Amendment No. 1 will increase the amount of money available for the task in Administration Fund 111.

COMMITTEE ACTION: Upon motion made by Committee Member Ken Ekelund and seconded by Committee Member Dave Hart, the Committee recommends that the full Board of Directors approve Amendment No. 1 to the Legal Services Agreement with Downey Brand Attorney, LLP in the amount of %250,00 for legal services in connection with the proposed revocation of Permit No. 11043 by the State Water Resources Control Board (SWRCB); and recommends authorizing the General Manager to execute the Amendment.

12. SET NEXT MEETING DATE AND DISCUSS FUTURE AGENDA ITEMS

The next Finance Committee meeting will be held on July 12, 2013 at 10:00 A.M. No future Agenda items were discussed.

13. ADJOURNMENT

The Committee adjourned at 10:25 a.m.

Submitted by: Alice Henault

Approved on: July 19, 2013