

Marina Coast Water District

District Offices
11 Reservation Road
Marina, California

Special Board Meeting
Budget Workshop
March 2, 2005
7:00 p.m.

Minutes

1. Call to Order:

Vice President Brown called the meeting to order at 7:00 p.m. on February 23, 2005.

Board Members Present:

Tom Moore – President – arrived at 7:04 p.m.
David Brown – Vice President
Ken Nishi
Charles Scholl
Howard Gustafson

Board Members Absent:

None.

Staff Members Present:

Mike Armstrong, General Manager
Marc Lucca, District Engineer
Suresh Prasad, Director of Finance
Jim Dowless, O&M Superintendent
Connie Chavoya, Management Services Officer
Evelina Adlawan, Water Quality Manager
Richard Youngblood, Conservation Coordinator
Paula Riso, Executive Assistant/Clerk of the Board

Audience:

None.

2. Oral Communications:

None.

3. Budget Workshop:

- A. Review District Draft FY 2005-2006 Budgets, Rates, Fees and Charges for the Marina and Ord Community Service Areas and Provide Direction to Staff to Prepare the Final Budget Documents:

Mr. Mike Armstrong, General Manager, requested staff to introduce themselves to the Board. President Moore arrived at 7:04 p.m. Mr. Armstrong gave a brief introduction mentioning that the FORA staff will be going before their Board in the near future with a recommendation to amend its procedure for annually adopting the MCWD's budgets, rates, fees, and charges. He added that the FORA Admin Committee received a presentation from the District staff on the proposed budget, rates, fees and charges. Mr. Armstrong commented that all the developers who have projects either upcoming or already in process in the Ord Community service area, were present at the meeting and generally stated that the proposed capacity fees will negatively impact their projects. He added that Mr. Michael Houlemard, FORA Executive Officer, put together an Adhoc Committee consisting of several developers, financial consultants, FORA staff, MCWD staff, and several land use jurisdictions, to try to identify alternative financial solutions. Mr. Armstrong added that MCWD was not going before the FORA Board on March 11th as previously intended with the recommended FY 2005-2006 Draft Budget.

Mr. Suresh Prasad, Director of Finance, explained the handouts he provided and the changes contained therein. He then reviewed the information provided in the packet and began his presentation of the Draft FY 2005-2006 budgets, rates, fees, and charges for the Marina and Ord Community service areas.

President Moore questioned if the District has the capability to supervise \$22 million in capital work in a one year period. He then inquired on the funding for the capital work. Mr. Prasad explained that it would come from reserves and capacity charges as well as new debt financing. Director Nishi asked how the shortfall of \$6.7 million would be paid. Mr. Prasad answered it would be funded through outside financing. Director Nishi stated if the capacity charges were higher, the District wouldn't need to look for financing.

Director Scholl commented that the Ord Community rates are high for low income families. Director Nishi stated that when the capacity charges are in place, the capital component charges should be dropped from the rates. Mr. Prasad answered that the capital component charge portion of the rates pays for the on-going repair and refurbishment of the infrastructure. Director Nishi asked if user fees can be used for capital work. Mr. Armstrong answered that operating reserves are used for repair and refurbishment of existing projects which is a legitimate expense for existing customers. Director Nishi stated he would like to see a third tier on the Marina rates to help promote water conservation. Mr. Armstrong reminded the Board that the City of Marina is in the middle of a five year series of rate increases.

Agenda Item 3-A (continued):

President Moore stated he would like to see staff provide an analysis on the Marina water rates that show what usage should be set for a third tier as well as what level of charge for the third tier that would best promote water conservation. Discussion followed.

President Moore inquired on the Ord sewer sales in FY 2003-2004. Mr. Prasad answered that the capital component charges were combined with sewer sales and about the time the District started booking them separately, CSUMB stopped paying their capital component charges. Director Nishi asked about the difference in water sales. Mr. Prasad answered that the FY 2004-2005 budget did not have the CSUMB capital component charges included, but the FY 2005-2006 budget includes all fees assuming CSUMB will pay in full for their water usage.

Director Scholl inquired on the medical insurance premiums and commented that the MRWPCA was able to reduce their rates by switching insurance carriers. He suggested contacting MRWPCA for more information. Director Scholl inquired on the drop and rise in legal fees. Mr. Armstrong answered the negotiations with CSUMB, MRWPCA and Armstrong Ranch all required legal counsel in 2003 which accounted for the higher legal fees.

Mr. Marc Lucca, District Engineer, briefly described the Capital Projects schedule. President Moore inquired on the 4700 linear feet of DIP project. Mr. Lucca answered the projects, which were deemed necessary in the 1980's, will improve the flow of water through the Marina system. President Moore questioned the need to do the improvements now as the District has been living with this for twenty years and asked what symptoms are promoting this project. Mr. Lucca answered the symptoms are irregular water pressures within the City of Marina and poor fire flow in certain areas of the city as well. Discussion followed.

Director Scholl asked if the \$700,000 budgeted for the desal plant was to improve the existing one or replace it. Mr. Lucca answered it was to improve the existing one. Director Nishi stated he had concerns over the length of time it is taking to fix the desal plant and the possibility of losing permitting for the plant.

Lengthy discussion on capacity charges took place.

President Moore inquired on the Marina sewer CIP projects. Mr. Lucca explained the reasons for the various projects i.e. capacity, condition, or slope.

Agenda Item 3-A (continued):

Director Nishi again asked how the capital projects would be funded when capacity charges received are projected to be less than the cost of proposed capital projects. Mr. Armstrong answered that capital projects will be paid by capacity charges and current customers through new debt financing such as bonds. Discussion followed. Mr. Prasad added that the repair and refurbishment projects are included in the CIP budgets and those projects are not paid for by capacity charges. President Moore asked if the proposed capacity charges would be adequate to fund the expansion CIP projects. Mr. Prasad answered they would be based on FORA's growth projections. Discussion followed.

Director Nishi inquired how the \$44 million in new debt would be paid. Mr. Prasad answered that a 3% rate increase over the next five years would bring the District to within bond market values. Director Nishi asked to have the repair and refurbishment costs separated from CIP projects in Table 4. President Moore asked to see what interior rate projections would be over the bonding period. Director Nishi asked to see which capital improvement projects impact RCI and CSUMB. Mr. Armstrong stated that while the District is in negotiations with CSUMB, no capital improvement projects for CSUMB will be done. He added that RCI maintains that they don't have to follow the In-Tract rules and regulations.

Mr. Armstrong asked staff if there were any other items they would like to add or comment on. Mr. Lucca stated that with the amount of capital work proposed over the next several years it will take a lot of time and resources to accomplish. He added that he may need to approach the Board at a later date for additional staff to help accomplish the capital projects and goals set by the Board.

President Moore recessed the meeting from 9:07 until 9:12 p.m.

4. Closed Session:

- A. Pursuant to Government Code Section 54956.9
Conference with Legal Counsel – Anticipated Litigation
Initiation of Litigation Pursuant to Subdivision (c) of Section 54956.9
1-case

The Board returned to open session at 9:48 p.m.

5. Possible Action on Closed Session Item:

President Moore stated no action taken and direction was provided to the negotiating team.

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6. Adjournment:

The meeting was adjourned at 9:48 p.m.

APPROVED:

David W. Brown, Vice President Date

ATTEST:

Michael D. Armstrong, General Manager