

Marina Coast Water District

District Offices
11 Reservation Road
Marina, California

Regular Board Meeting
June 14, 2006
6:45 p.m.

Minutes

1. Call to Order:

Vice President Gustafson called the meeting to order at 6:45 p.m. on June 14, 2006 after which the Board entered into closed session.

Board Members Present:

Howard Gustafson – Vice President
Ken Nishi
Tom Moore – arrived at 6:50 p.m.
Charles Scholl

Board Members Absent:

David Brown – President

Staff Members Present:

Marc Lucca, General Manager
Lloyd Lowrey, Legal Counsel
Andrew Sterbenz, Interim District Engineer
Suresh Prasad, Director of Finance
Joan Warren, Management Services Administrator
Richard Youngblood, Conservation Coordinator
Paul Lord, Water Conservation Specialist
Paula Riso, Executive Assistant/Clerk to the Board

Audience:

Eric Robinson, Cypress Knolls
Bob Schaffer, Marina Community Partners
Dick Goblirsch, Del Rey Oaks
Tom Gaffney, Bartle Wells & Associates
Bob Holden, MRWPCA
Carmen Vargas, Citigroup Global Markets, Inc.
Chandler Roland

3. Closed Session:

- A. Pursuant to Government Code Section 54956.9
Conference with Real Property Negotiator
Property: District Desalination Plant
Negotiating Parties: MCWD and Marina Developers
Under Negotiation: Price and Terms

- B. Pursuant to Government Code Section 54956.8
Conference with Real Property Negotiator
Property: Easements, Rights-of-Way, Pipelines and Appurtenances, and Water Rights
Negotiating Parties: MCWD and MRWPCA
Under Negotiation: Price and Terms

- C. Pursuant to Government Code Section 54956.9
Conference with Real Property Negotiators
Property: Proposed Corporation Yard Site
Negotiating Parties: MCWD and City of Marina
Under Negotiation: Price and Terms

- D. 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

Vice President Gustafson reconvened the meeting to Open Session at 7:05 p.m.

4. Pledge of Allegiance:

Everyone present participated in the pledge of allegiance.

5. Possible Action on Closed Session Items:

Mr. Lloyd Lowrey, Legal Counsel, stated that no action was taken in closed session and instructions were given. Mr. Marc Lucca, General Manager, announced that the Board decided to open for public review, the final draft desal agreement and offered copies to interested parties. Director Moore clarified that there would be no action at this time, but the desal agreement would be an action item on the June 28, 2006 meeting agenda for consideration.

6. Oral Communications:

Mr. Chandler Roland, Marina resident, commended the Board on the promotion of Mr. Lucca to the General Manager position. He also stated that he is unhappy with the Marina City Council for how they calculated the water usage figures.

President Brown requested to move to item 4, the Consent Calendar.

7. Consent Calendar:

Director Scholl made a motion to approve the consent calendar consisting of items: A) Adopt Resolution No. 2006-42 to Update Authorized Signatures for the Local Agency Investment Fund (LAIF) Account; B) Approve the Draft July 2006 Newsletter; C) Approve the Expenditures for the Month of April 2006; D) Approve the Expenditures for the Month of May 2006 and, E) Approve the Draft Minutes of the Regular Board Meeting of May 10, 2006. Director Moore seconded the motion. The motion was passed.

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|-----------------|---|-----|--------------------------|---|--------|
| Director Moore | - | Yes | Vice President Gustafson | - | Yes |
| Director Scholl | - | Yes | President Brown | - | Absent |
| Director Nishi | - | Yes | | | |

8. Action Items:

- A. Consider Adoption of Resolution No. 2006-43 (Ord Community Compensation Plan), 206-44 (Capital Elements of Ord Community Plan), and 2006-45 (District Budget) to Adopt the District Budget and Ord Community Compensation Plan for FY 2006-2007:

Mr. Suresh Prasad, Director of Finance, introduced this item and noted the budget and Resolution Nos. 2006-43 and 2006-45 had been slightly revised and copies were handed out for review. Director Moore suggested changing the title to Resolution No. 2006-43 to reflect that it is an Operating Budget. Mr. Lowrey stated that it was acceptable to change the title. Director Nishi questioned what studies were done to justify rolling the capital component charge into the Ord Community water rates. Mr. Prasad answered that in 2003, Bartle Wells & Associates performed a capacity fee analysis which recommended capacity fees and that the capital component charge be included with the water rates. The Board received that analysis and adopted the FY 2005-2006 budget which included the capital component charge as part of the water rates. Director Nishi stated he still had concerns over combining the capital component fee into the water rates.

Agenda Item 8-A (continued):

Vice President Gustafson made a motion to approve Resolution No. 2006-43 (Ord Community Compensation Plan), 206-44 (Capital Elements of Ord Community Plan), and 2006-45 (District Budget) to adopt the District Budget and Ord Community Compensation Plan for FY 2006-2007 with the revisions as mentioned by Mr. Prasad and as amended by Director Moore. Director Moore seconded the motion. The motion was passed.

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|-----------------|---|-----|--------------------------|---|--------|
| Director Moore | - | Yes | Vice President Gustafson | - | Yes |
| Director Scholl | - | Yes | President Brown | - | Absent |
| Director Nishi | - | No | | | |

B. Consider Adoption of Resolution No. 2006-46 to Approve a Professional Services Agreement with Environmental Science Associates for the Desalination Portion of the Regional Urban Water Augmentation Project (RUWAP):

Mr. Andrew Sterbenz, Interim District Engineer, introduced this item. Director Nishi inquired if the analysis would be for a desalination plant at the Ord wastewater treatment plant. Mr. Sterbenz answered affirmatively. Director Nishi stated he had concerns over the proposed desalination plant site. Several other clarifying questions were asked of Mr. Sterbenz.

Mr. Chandler commented that he had contacted the California Coastal Commission on the current desalination plant and received negative comments.

Director Scholl commented that the District's current desalination plant has passed all monitoring regulations. Director Moore added that there has been no measurable impact from the current desalination plant on the Monterey Bay. Director Nishi stated that he agreed with Director's Scholl and Moore that the current desalination plant has not had a measurable impact, but stated he has concerns that a larger desalination project brings negative comments. Vice President Gustafson stated that this agreement would not preclude a relationship with agencies north of the District.

Mr. Lucca clarified that the RUWAP EIR looked at many different sites for the desalination plant and concluded that the Main Garrison wastewater treatment plant was likely the best site.

Director Moore made a motion to adopt Resolution No. 2006-46 approving a Professional Services Agreement with Environmental Science Associates for the desalination portion of the RUWAP. Director Scholl seconded the motion. The motion was passed.

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|-----------------|---|-----|--------------------------|---|--------|
| Director Moore | - | Yes | Vice President Gustafson | - | Yes |
| Director Scholl | - | Yes | President Brown | - | Absent |
| Director Nishi | - | No | | | |

C. Consider Adoption of Resolution No. 2006-47 to Approve a Professional Services Agreement with RMC Water & Environment for Preliminary Design of the Desalination Portion of the Regional Urban Water Augmentation Project:

Mr. Sterbenz introduced this item. Director Moore asked if the price only covered the design level. Mr. Sterbenz answered that it also covered an aerial survey for the recycled water delivery pipeline from the MRWPCA to the City of Del Rey Oaks. Director Moore asked if the RMC work would include all of the pipelines that would go from the selected desalination location to the delivery areas. Mr. Sturbenz answered it would. Mr. Lucca added that the District was in the process of updating the Ord Water Master Plan and as part of that, Carollo Engineers is looking at three points of entry into the potable water system for 1500 afy of desalination water.

Director Scholl made a motion to adopt Resolution No. 2006-47 approving a Professional Services Agreement with RMC Water & Environment for preliminary design of the desalination portion of the RUWAP. Vice President Gustafson seconded the motion. The motion was passed.

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|-----------------|---|-----|--------------------------|---|--------|
| Director Moore | - | Yes | Vice President Gustafson | - | Yes |
| Director Scholl | - | Yes | President Brown | - | Absent |
| Director Nishi | - | No | | | |

D. Consider Adoption of Resolution No. 2006-48 to Adopt a New Expense Reimbursement Policy; Ethics Training Policy; and Adopt Revisions to the District's Existing Travel Policy:

Mr. Lucca introduced this item. Director Moore complimented Ms. Joan Warren on incorporating the changes requested at the previous Board meeting. He added that he had several changes on page 161 of the packet: 1) Section I, Expense Reimbursement Policy, paragraph 5, sixth bullet to read, "...District business that are 'reimbursable from' an airline..."; 2) paragraph 6, first sentence to read, "...provide Expense Reimbursement Report 'forms' to directors...".

Director Moore made a motion to adopt Resolution No. 2006-48 adopting a new Expense Reimbursement Policy; Ethics Training Policy; and adopt revisions to the District's Existing Travel Policy. Director Scholl seconded the motion. The motion was passed.

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|-----------------|---|-----|--------------------------|---|--------|
| Director Moore | - | Yes | Vice President Gustafson | - | Yes |
| Director Scholl | - | Yes | President Brown | - | Absent |
| Director Nishi | - | Yes | | | |

E. Consider Adoption of Resolution No. 2006-49 Approving the Proposed Landscape Incentives Program and Amending the FY 2006/2007 Budget to Authorize Expenditures of Funds Received from KB Homes:

Mr. Paul Lord, Water Conservation Specialist, introduced this item and gave a presentation to the Board on the proposed Landscape Incentives Program.

Vice President Gustafson clarified that the \$17,000 would come from the \$66,000 KB homes previously paid to the District and does not come out of District funds.

Director Scholl commented that at the Water Conservation Commission (WCC) meeting he had recommended bringing this program before the Board for input, not approval. He wanted the Board to provide policy. Director Scholl proposed an alternate approach to larger water users. He proposed visiting and educating the larger users of the advantages of saving water. Director Scholl suggested a program to take the remaining funds of \$49,000 to help install systems with ETO controllers with the large users, i.e. schools, and have the large users repay the installation cost over time, as a type of revolving fund. He went on to explain how a concept like this could be beneficial to both the users and the District.

Director Nishi stated that the WCC can recommend, but cannot make policy. He stated that one way to promote water conservation was to make water more expensive. Director Nishi stressed that the District needs to be more aggressive on water conservation and that all projects need to be brought in with first class irrigation systems installed.

Director Moore commented that this was an innovative proposal and asked how it would be administered. Mr. Lord answered that forms would be set up and the information sent out with water conservation surveys and to the top twenty percent of large water users. He then explained the proposed rebate process for landscape irrigation. Director Moore stated that he liked Director Scholl's idea and suggested postponing the residential portion of the rebate program and concentrate on larger users. He would like see staff inspect and re-inspect new and existing systems on an annual basis to ensure the systems are working properly. Mr. Lucca stated that the District is careful not to touch anything on public property to avoid being liable if something doesn't work properly. Director Moore suggested having agreements drawn to release the District from liability and only inspecting the larger users, i.e. schools.

Director Nishi commented that the City of Marina has included in their budget a position for a Water Conservation Specialist. He added that people would be more conservative if the water was more expensive.

Agenda Item 8-E (continued):

Director Moore made a motion to adopt Resolution No. 2006-49 with the following caveats: 1) it applies to residential only; 2) it would begin in one year; and, 3) in the interim, staff develop a commercial program as discussed and return to the Board with a specific commercial organizational institutional program for approval. Director Nishi stated he could not support the motion on the institutional requirement. He would like to see a number comparison with residential. Director Scholl seconded the motion. Discussion followed. The motion failed.

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|-----------------|---|-----|--------------------------|---|--------|
| Director Moore | - | Yes | Vice President Gustafson | - | No |
| Director Scholl | - | Yes | President Brown | - | Absent |
| Director Nishi | - | No | | | |

Vice President Gustafson made a motion to adopt Resolution No. 2006-49 approving the proposed Landscape Incentives Program and amending the FY 2006/2007 Budget to authorize Expenditures of funds received from KB Homes, as written. Director Nishi seconded the motion. The motion failed.

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|-----------------|---|-----|--------------------------|---|--------|
| Director Moore | - | No | Vice President Gustafson | - | Yes |
| Director Scholl | - | No | President Brown | - | Absent |
| Director Nishi | - | Yes | | | |

9. Staff Reports:

A. Receive Presentation from Citigroup Global Markets Inc. on Bond Financing for Capital Improvements Project:

Mr. Suresh Prasad, Director of Finance, introduced this item and Ms. Carmen Vargas, Citigroup Global Markets Inc. Ms. Vargas gave a brief presentation (handouts) to the Board regarding the financing plan. Director Moore asked several questions on interest rates and a fixed payment schedule. Director Nishi asked if the District could get \$75 million in bonds instead of \$57 million since the interest rates are good right now. Ms. Vargas answered that there are certain restrictions and that you have to spend the bonded amount within two to three years. Director Moore asked what happens if the bonded amount is not spent within that time frame. Ms. Vargas stated that the District would have to rebate the interest earnings that were in excess of what was spent.

Mr. Tom Gaffney, Bartle Wells, gave a brief presentation to the Board regarding security risks and/or any impact on District rates. Director Nishi asked for a copy of the notes Mr. Gaffney was reading from. He also asked for a summary of costs for different scenarios if any legal challenges are taken.

Agenda Item 9-A (continued):

Director Moore inquired on the portion that was refunding loans that were secured by Central Marina and asked if the bonds were being secured by rates from both Central Marina and the Ord Community or was it being split. Mr. Gaffney answered that they were being split and intended to be paid from the various sources, but they are secured by the revenues all together. Director Moore asked if Mr. Prasad would have to keep track of the payments internally. Mr. Prasad stated that the refunded loans would have the same life as they have now and not be included with the capital funding. Director Moore cautioned that the internal payments need to be memorialized. Mr. Gaffney stated that they would be included in the final bond documents.

B. Receive Update on Negotiations with Seaside County Sanitation District to Provide Wastewater Service between Southern Fort Ord and the MRWPCA:

Mr. Sterbenz introduced this item. Director Moore suggested that section 8 of the agreement state, "...it must be made at least 12 months in advance..."

Director Nishi voiced his concerns over sending the sewage flows through the Seaside County Sanitation District (SCSD) and who would own the flows.

Director Moore asked to see a specific cost analysis of the different options i.e. upsizing the SCSD sewage lines verses putting in new sewage lines and retaining the flow with the District.

C. Receive Update on New Planning and Zoning Law:

Mr. Lucca introduced this item. There were no questions or comments on this item. Vice President Gustafson directed this item to be placed on the consent calendar for the next meeting.

10. Discuss Possible Agenda Items for the June 28, 2006 Planning Workshop and Provide Direction to Staff:

Director Scholl asked to discuss current rebate programs offered by the District. He also asked to discuss setting goals for the Water Conservation Commission.

Director Moore asked to return to item 9-C.

C. Receive Update on New Planning and Zoning Law:

Director Moore stated that the fifth exception item was not mentioned in the resolution. Mr. Lowrey stated that it was accidentally missed and that it would be added before the next meeting.

11. Directors Comments:

Director Scholl stated he had no comments other than Vice President Gustafson kept the meeting moving along briskly.

Director Nishi asked to get information on the justification on the seventy cent increase in the Ord Community rates. He also stated that another Director previously said a letter was sent from the MRWPCA mentioning certain things about him and asked to see that documentation. Mr. Lucca answered that the MRWPCA was contacted regarding the letter and neither they nor the District could find the afore mentioned letter. Director Nishi asked for documentation from the MRWPCA stating they could not find the letter.

Mr. Lucca commented that the District's application for the Prop 50 Grant was turned down, but the City of Sand City did get a grant for one of their construction projects. Mr. Lucca also informed the Board that the Seaside golf course well went down and the District is currently selling water to them until their well is back up and running which may be a couple of weeks.

The Board entered back into closed session at 8:55 p.m.

3. Closed Session:

- A. Pursuant to Government Code Section 54956.8
Conference with Real Property Negotiator
Property: Easements, Rights-of-Way, Pipelines and Appurtenances, and Water Rights
Negotiating Parties: MCWD and MRWPCA
Under Negotiation: Price and Terms

- C. Pursuant to Government Code Section 54956.8
Conference with Real Property Negotiator
Property: Water Rights
Negotiating Parties: MCWD and Clark Colony Water Company
Under Negotiation: Price and Terms

- D. Pursuant to Government Code Section 54957
Public Employee Appointment
Title: General Manager
Negotiating Parties: MCWD Board of Directors
Under Negotiation: Terms

The Board returned to open session at 9:15 p.m.

5. Possible Action on Closed Session Items:

Mr. Lucca stated that no action was taken in closed session and direction was provided to staff.

12. Adjournment:

The meeting was adjourned at 9:16 p.m.

APPROVED:

Howard Gustafson, Vice President

Date

ATTEST:

Marc A. Lucca, General Manager