

Marina Coast Water District
Agenda Transmittal

Agenda Item: 8-C

Meeting Date: August 9, 2011

Submitted By: Paula Riso

Presented By: Paula Riso

Reviewed By: Carl Niizawa

Agenda Title: Approve the Draft Minutes of the Special Joint Board Meeting of July 8, 2011

Detailed Description: The Board of Directors is requested to approve the attached draft minutes of July 8, 2011.

Environmental Review Compliance: None required.

Prior Committee or Board Action: None.

Board Goals/Objectives: *Strategic Plan, Mission Statement – Providing high quality water, wastewater and recycled water services to the District’s expanding communities through management, conservation and development of future resources at reasonable costs.*

Financial Impact: ___Yes ___X___No

Funding Source/Recap: None.

Material Included for Information/Consideration: Draft minutes of July 8, 2011.

Staff Recommendation: The Board of Directors approve the draft minutes of the July 8, 2011 special joint Board meeting.

Action Required: ___Resolution ___X___Motion ___Review

Board Action

___Resolution No___ Motion By___ Seconded By___

Ayes___ Abstained___

Noes___ Absent___

Reagendized___ Date___ No Action Taken___

Marina Coast Water District
Marina Coast Water District and Fort Ord Reuse Authority

Carpenters Union Hall
910 2nd Avenue
Marina, California

Special Joint Board Meeting
July 8, 2011
3:00 p.m.

Draft Minutes

1. Call to Order and Roll Call of Both Boards:

1st Vice Chair, Mayor Edelen called the meeting to order at 3:01 p.m. on July 8, 2011.

Fort Ord Reuse Authority Board of Directors:

Voting members present (*Quorum present at call to order*)

1st Vice Chair/Mayor Edelen (City of Del Rey Oaks)
Mayor Pendergrass (City of Sand City)
Mayor Pro-Tem Kampe (City of Pacific Grove)
Councilmember Brown (City of Marina)
Supervisor Parker (County of Monterey)
Mayor McCloud (City of Carmel-by-the-Sea)
Councilmember Selfridge (City of Monterey)
Councilmember Oglesby (City of Seaside)

Arriving after the roll call:

Jim Cook (County of Monterey)
2nd Vice Chair/Mayor Pro-Tem O'Connell (City of Marina)

Absent:

Chair/Supervisor Potter (County of Monterey),
Mayor Bachofner (City of Seaside),
Councilmember Barrera (City of Salinas).

Ex-Officio members present:

Graham Bice (University of California Santa Cruz ("UCSC")),
John Marker (California State University Monterey Bay ("CSUMB")),
Vicki Nakamura (Monterey Peninsula College ("MPC")),
Bill Collins (Base Realignment and Closure ("BRAC")),
Debbie Hale (Transportation Agency for Monterey County ("TAMC")),
COL Darcy Brewer (United States Army),
Alec Arago (17th Congressional District)
Ken Nishi (Marina Coast Water District ("MCWD")),
Nicole Charles (27th State Assembly District).

Absent: Dan Albert, Jr., (Monterey Peninsula Unified School District), Hunter Harvath (Monterey Salinas Transit), and representation from the 15th State Senate District.

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Marina Coast Water District Board Members Present:

Dan Burns – Vice President
Howard Gustafson
Ken Nishi
Jan Shriner

Bill Lee – President, was absent.

Marina Coast Water District Staff Members Present:

Lloyd Lowrey, Legal Counsel
Carl Niizawa, Deputy General Manager/District Engineer
Kelly Cadiante, Director of Administrative Services
Patrick Breen, Capital Projects Manager
Brian True, Capital Projects Manager
Paula Riso, Executive Assistant/Clerk to the Board

Members from the Public Present:

LeVonne Stone, Fort Ord Environmental Justice Network
Christina Spang, Department of the Army, DPW O&M
Bob Schaffer, Community Partners
Doug Yount, City of Marina
Ray Corpuz, City Manager, City of Seaside
Kathleen Lee, Monterey County
George Riley, Citizens for Public Water

2. Pledge of Allegiance:

1st Vice Chair, Mayor Edelen led the Pledge of Allegiance.

3. Continued New Business:

Mr. Carl Niizawa, MCWD Deputy General Manager/District Engineer, gave a brief presentation regarding the past and current projects that the District has undertaken; the bonds taken out by the District; the Bartle Wells rate study; and the reason for the rate increase.

Supervisor Parker clarified that the increase in interest cost is due to an accelerated payment plan and suggested spreading the payment over a longer period of time to waylay some of the costs to customers that come along later. Ms. Kelly Cadiante, Director of Administrative Services, commented that when the District refinanced a 10-year promissory note used to purchase property on the Armstrong Ranch, it maintained the same debt schedule.

Agenda Item 3 (continued):

Mayor McCloud asked how many years were left on the 10-year note and the bonds. Ms. Cadiente answered that when the District refinanced, it combined the promissory note into the 2010 bonds, and there were about 8 years left on the debt schedule.

MCWD Director Shriner commented that a public member, Paula Pelot, had emailed some questions and asked that the questions be answered. Mr. Niizawa commented that the questions were received just prior to the meeting and staff would try to answer them as best they could. Ms. Cadiente stated that two of the questions were on the interest expense of which the answer was already provided. Ms. Cadiente said that several questions were regarding increases to maintenance expenses for both water and wastewater. She answered that those costs were for maintenance on aged equipment that needs to be maintained until it can be replaced; i.e., vehicles and valves. Ms. Cadiente said there was a question on Laboratory Contract services and that the increase is because the District is required to increase lab testing for permits. She added that it looks like a large increase, 71%, because the lab budget is small. Mr. Niizawa answered the question on annexation. He explained that the District has been working on this issue for quite a while and there will be an update at the next MCWD Board meeting on July 12, 2011. Mr. Niizawa said the MCWD Board already hired a consultant who has been doing environmental work and it is almost complete.

Director Shriner commented that one of the questions from Ms. Pelot was regarding how much the rates have been increased since 2003. Ms. Cadiente stated that she would have to get back to Director Shriner as she did not have data from 2003 with her.

Ms. Lavonne Stone, Fort Ord Environmental Justice Network, said that she heard that part of the increase was for properties that needed to be maintained and asked what those properties were. She noted that many people in the Preston Park area were struggling, low income families and voiced her concern over the proposed rate increase. Ms. Stone stated that for years, Ord Community ratepayers have been asking for the annexation so they could have representation on the MCWD Board and voiced her concern over the amount of time that has passed.

Supervisor Parker commented that one question at the last meeting was regarding the 25% protest and if there was a substance or pattern to the protest. She added that she appreciated the fact that MCWD staff provided answers to her questions from last meeting, but did not know if everyone's questions were answered. Supervisor Parker suggested that in the future a staff report with all the questions and answers be provided in advance of the meeting. Mr. Niizawa answered that of the protests, two were large institutions with multiple connections, and the number of users protesting was actually 1.3%.

Mayor McCloud asked if the District kept two books, one for the Regional Project and one for Marina Coast Water District. Ms. Cadiente answered affirmatively that there is a separate cost center for the Regional Project.

Agenda Item 3 (continued):

Mayor Pro-Tem Kampe echoed Supervisor Parker's comments regarding the staff report with all the questions and answers. He also thanked MCWD staff for meeting with him face-to-face and answering all his questions.

2nd Vice Chair/Mayor Pro-Tem O'Connell apologized for arriving late and asked if Ms. Pelot's questions had been answered. Mr. Niizawa stated that staff just finished answering her questions.

Director Shriner commented that Ms. Pelot's questions also included how the percentage between metered and unmetered accounts works and why the metered accounts have dropped off. Mr. Niizawa commented that, along with water conservation efforts, MCWD is actually implementing a large-scale meter installation on the Ord Community and water usage has dropped now that customers can see how much water they are using.

COL Darcy Brewer commented that it is the Army's goal to meter all of their buildings and there is less emphasis on green spaces and more on saving water.

2nd Vice Chair/Mayor Pro-Tem O'Connell asked if the annexation question had been answered. Mr. Niizawa answered that the District is moving forward on the annexation with an update scheduled for the next MCWD Board meeting, and environmental work is being completed at this time.

Director Gustafson commented that there is an agreement between the City of Marina and MCWD, done in 1975 or 1976, that requires a vote of the 1960 "original" Marina in order for MCWD to annex.

Supervisor Parker questioned having an independent audit of the rate structure and the distribution of expenses to the different cost centers and suggested doing it for the next proposed increase. Ms. Cadiente stated that the District does do annual independent financial audits and asked if Supervisor Parker is suggesting another audit in addition to the District's audit. Supervisor Parker answered affirmatively and suggested the audit be part of the packet when looking at future rate increases.

Councilmember Oglesby asked for clarification on what Supervisor Parker was looking for in an audit. Supervisor Parker answered that she was suggesting having an independent auditor look into the rate structure and the way expenses are allocated to the cost centers.

a. Ord Community and Marina Water/Wastewater Systems Proposed Budget and Rates for FY 2011-2012:

- (1) FORA Board Approval of Resolution Nos. 11-03 and 11-04 Adopting a Compensation Plan and Setting Rates, Fees and Charges for Base-Wide Water, Recycled Water and Sewer Services on the Former Fort Ord:

Mayor Pro-Tem Kampe made a motion to approve Resolution Nos. 11-03 and 11-04 adopting a Compensation Plan and setting rates, fees and charges for base-wide Water, Recycled Water and Sewer Services on the Former Fort Ord. Graham Bice seconded the motion. Mr. Michael Houlemard, FORA Executive Officer, commented that everyone had Resolution Nos. 11-03 and 11-04 in front of them with a revised date and noted that nothing else had changed in the Resolution. The motion failed with the following vote:

1 st Vice Chair/Mayor Edelen	- Yes
2 nd Vice Chair/Mayor Pro-Tem O'Connell	- No
Mayor Pendergrass	- No
Mayor Pro-Tem Kampe	- Yes
Councilmember Brown	- No
Supervisor Parker	- No
Mayor McCloud	- Yes
Councilmember Selfridge	- No
Councilmember Oglesby	- No
Jim Cook	- Yes

Mayor McCloud asked what the reason was that the Marina Councilmembers voted no. 1st Vice Chair/Mayor Edelen asked anyone who voted no to voice their concerns.

Supervisor Parker commented that she would like an independent analysis done sooner rather than later. Councilmember Oglesby agreed with Supervisor Parker stating that he needed more information.

Councilmember Selfridge commented that they need more information.

2nd Vice Chair/Mayor Pro-Tem O'Connell said he had the same concern as Supervisor Parker.

Mayor McCloud asked if those who want the independent study done would be willing to put the motion forward again with that contingency and a date certain.

Supervisor Parker clarified mayor McCloud's request and said that with the level of concern and question, she would like to see the analysis first.

1st Vice Chair/Mayor Edelen commented that after conferring with Mr. Houlemard, an analysis may take approximately sixty days.

Agenda Item 3a1 (continued):

1st Vice Chair/Mayor Edelen suggested continuing this item for sixty days to allow time for the analysis, that it be provided to the Board, and revisit the issue in two months to get consensus on which way to go. Supervisor Parker clarified that the date certain will be put on the analysis and return in September with the analysis.

Mayor Pro-Tem Kampe suggested that whoever makes the motion be specific about what they want the analysis to provide; and that when a rate analysis is done, there is the possibility that the cost basis is higher than anticipated. He asked if the analysis validates a higher rate, will the Board members be prepared to accept that rate and approve it.

1st Vice Chair/Mayor Edelen commented that staff is aware of the Board members who had concerns and that they would be contacted so staff could get their specific concerns and they would be included as part of the analysis.

Mr. Houlemard commented that FORA would have to work with MCWD to secure the independent consultant in the appropriate way. He stated that MCWD is the water purveyor and they would have to make the decision. Mr. Houlemard noted that the cost to provide infrastructure and water service is important to continue. He stated that he was concerned that they would lose the ability to provide the conservation measures and quality water services on a continuous basis. Mr. Houlemard added that there are obligations that include contracts MCWD has with the Army to provide water service to the military. He said he wants to make sure those questions are answered without a gap that says they are financially unable to provide those services. Mr. Houlemard stated that he believes an independent analysis will confirm that. Mr. Houlemard clarified that he understands the Board is saying there is not enough detail and they want more specifics. He added that it is important that the Board not let this hang on too long.

Mr. Jim Cook voiced his concern that after sixty days they would be right back where they are now. He asked if MCWD would be doing the audit or FORA. Mr. Cook suggested a collaborative approach with staff to clarify the specific questions to be subject to the audit, send it out to the FORA Board members that have a concern to make sure the questions are getting answered. He stated that the audit needed to be on-point and done in a way that is credible to avoid a sixty, or ninety day delay.

Councilmember Oglesby stated that he just wants to be sure the rate is appropriate. He stated that he understands there are obligations that need to be paid for, but he wanted to make sure they are paid at the appropriate level.

Director Nishi commented that both agencies would have to work together and come up with a solution. He voiced his concern that they were setting precedence.

Agenda Item 3a1 (continued):

Director Nishi said he could attend a County Supervisors meeting and ask the County to spend additional funds in addition to their audit, as well as the Cities of Seaside, Marina, and Monterey, and say that he wanted to ensure and validate that their financial numbers are correct. Director Nishi said that MCWD is there to serve. He added that he didn't know if they wanted to jeopardize the mission of the Army and CSUMB because to hold the fees for sixty days may lead to a loss of service. Director Nishi said he wanted to work together because they were all here to serve the people.

Director Gustafson commented that the MCWD does have the rate study by Bartle Wells which shows a 7.8% rate increase. He cautioned that there could be serious consequences by the delay.

Mayor McCloud commented on what Mayor Pro-Tem Kampe said, that they should be careful what they wish for because they might come out with figures that show they are half of what is needed. She added that she was unclear of what they were asking the figures to show. Mayor McCloud questioned if they were asking that they ensure everyone only pays what the actual costs are; or, if rates should be increased 7.8% and pay the actual costs.

Director Shriner suggested they look at responsible spending and what the basis of the rate increase was. She said that MCWD did reduce the proposed increase from 7.8% to 4.9% but it was proposed from the Bartle Wells study which was finished before the economic crisis. Director Shriner said that since the MCWD Board approved the 5% rate increase, their spending has gone up quite a bit. She said that a bonus and a base-salary compensation increase were given to the General Manager as well as increasing his ability to launch contracts with consultants that include investigations that go through law offices. Director Shriner stated that she hoped the independent audit will give a measure of responsible spending and rate increases that are not based on a study that was prepared prior to the recognition of an economic crisis.

1st Vice Chair/Mayor Edelen commented that they are looking at an independent audit, joint teamwork between MCWD and FORA Board, and getting specific information from those that voted no and asked if there was a motion.

Supervisor Parker made the motion for an independent audit, joint teamwork between MCWD and FORA Board, and getting specific information from those that voted no, and clarified that FORA would conduct the independent analysis by hiring an independent auditor and return in sixty days with the analysis. Councilmember Oglesby seconded the motion.

Mayor Pro-Tem Kampe inquired how much the FORA Board was committing to spend on the study.

Supervisor Parker asked if Mr. Houlemard had any idea of what the audit would cost.

Agenda Item 3a1 (continued):

Mr. Houlemard answered that he was not sure of the cost, but verified that he understood this audit to be a confirmation of the work that was done by Bartle Wells years ago. Mr. Houlemard suggested an amount not-to-exceed \$15,000 for the audit noting that it is possible it could be completed for a lot less.

Mayor Pro-Tem Kampe made a motion to amend the previous motion to include an amount not-to-exceed \$15,000. Supervisor Parker seconded the amended motion.

Councilmember Oglesby asked why MCWD isn't required to pay for the audit. Director Nishi commented that it was up to the MCWD Board. He added that this shows a lack of faith in MCWD.

Councilmember Oglesby amended the already amended motion to require MCWD to pay half of the cost of the audit with the total not-to-exceed \$15,000.

Director Nishi commented that he is only one member of the Board, but he would agree to pay for half of the audit if the FORA Board agreed to pay whatever comes out of the audit. He referenced Mayor Pro-Tem Kampe's earlier comment regarding the rate increase and if the numbers show that the correct rate increase should be 7.8%, he would like the FORA Board to agree to that increase.

Mayor Pro-Tem Kampe made a motion to amend his previously amended motion to require MCWD to pay half of the cost of the audit. 2nd Vice Chair/Mayor Pro-Tem O'Connell asked if the motion included Director Nishi's comment regarding the higher rate increase. Mayor Pro-Tem Kampe stated his motion did not include Director Nishi's comment.

Councilmember Oglesby seconded the amended motion. The motion was unanimously passed.

Mayor McCloud noted that there were no attachments to the agenda and suggested that next time the attachments be included with the agenda.

Mr. Houlemard commented that the audit information will be brought back to the FORA Board prior to sixty days and staff would also provide the specific questions and answers that were provided to the Board members so everyone could see them.

Supervisor Parker affirmed that just because one person asked the question doesn't mean that was the only person with that same question and everyone should see the answers.

1st Vice Chair/Mayor Edelen commented that the presentation was quantitative and not qualitative and if the presentation had included more specific numbers the outcome might have been different. He thanked everyone for their cooperation.

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4. Announcements and Correspondence:

There were no announcements or correspondence.

5. Adjournment:

The meeting was adjourned at 3:58 p.m.

APPROVED:

William Y. Lee, President

ATTEST:

Jim Heitzman, General Manager