

Marina Coast Water District
Agenda Transmittal

Agenda Item: 7-E

Meeting Date: October 11, 2011

Submitted By: Paula Riso
Reviewed By: Carl Niizawa

Presented By: Paula Riso

Agenda Title: Approve the Draft Minutes of the Special Joint FORA Board Meeting of September 16, 2011

Detailed Description: The Board of Directors is requested to approve the attached draft minutes of September 16, 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 September 16, 2011.

Staff Recommendation: The Board of Directors approve the draft minutes of the September 16, 2011 special joint FORA 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
September 16, 2011
3:30 p.m.

Draft Minutes

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

Chair/Supervisor Potter called the meeting to order at 3:30 p.m. on September 16, 2011.

Voting members present (Quorum present at call to order)

Chair/Supervisor Potter
1st Vice Chair/Mayor Edelen (City of Del Rey Oaks)
Mayor Pendergrass (City of Sand City)
Mayor Pro-Tem Kampe (City of Pacific Grove)
Supervisor Parker (County of Monterey)
2nd Vice Chair/Mayor Pro-Tem O'Connell (City of Marina)
Mayor McCloud (City of Carmel-by-the-Sea)
Mayor Bachofner (City of Seaside)
Councilmember Brown (City of Marina)
Councilmember Selfridge (City of Monterey)
Councilmember Oglesby (City of Seaside)
Jim Cook (County of Monterey)

Arriving after the roll: Mayor Donohue (City of Salinas)

Absent: Supervisor Calcagno (County of Monterey)

Ex-Officio members present:

Kevin Saunders (California State University Monterey Bay ("CSUMB"))
Vicki Nakamura (Monterey Peninsula College ("MPC"))
Dan Albert, Jr. (Monterey Peninsula Unified School District)
Mike Gallant (Monterey Salinas Transit)
Debbie Hale (Transportation Agency for Monterey County ("TAMC"))
Bill Collins (Base Realignment and Closure ("BRAC"))

Arriving after the roll: Nicole Charles (27th State Assembly District), COL Joel Clark (United States Army), Director Ken Nishi (Marina Coast Water District ("MCWD"))

Absent: Representation from the 17th Congressional District and the 15th State Senate District.
Dr. Margon (University of California Santa Cruz ("UCSC"))

Marina Coast Water District Board Members Present:

Bill Lee – President
Dan Burns – Vice President
Howard Gustafson – arrived at 3:49 p.m.
Ken Nishi – arrived at 3:51 p.m.
Jan Shriner

Marina Coast Water District Staff Members Present:

Lloyd Lowrey, Legal Counsel
Carl Niizawa, Deputy General Manager/District Engineer
Patrick Breen, Capital Projects Manager
Paula Riso, Executive Assistant/Clerk to the Board

Members from the Public Present:

LeVonne Stone, Fort Ord Environmental Justice Network
Bob Schaffer, Community Partners
Doug Yount, City of Marina
Ray Corpuz, City Manager, City of Seaside
John Arriaga, JEA & Associates
Jamie Gomes, Economic & Planning Services, Inc.

2. Pledge of Allegiance:

Chair/Supervisor Potter led the Pledge of Allegiance.

3. New Business:

- a. Independent audit report – Marina Coast Water District water rates

Mr. Steve Endsley, FORA, gave a brief introduction of this item and introduced Mr. Jamie Gomes, Economic & Planning Systems, Inc. Mr. Gomes gave a presentation that went over the background leading up to the audit; an overall summary of the findings; cost allocations; and additional questions asked by some FORA Board members.

Supervisor Parker questioned the \$26 million in the Ord Community water budget for the Regional Water Project pipeline from the desal plant to the Peninsula, and asked what benefit there is to the Ord Community and if the Ord Community customers would be using that water. Mr. Niizawa answered that the \$26 million is the tie-in to the header line/connection going south that allows it to integrate into the District's system.

Agenda Item 3a (continued):

Mr. Niizawa stated that this project is needed for the District, per the Agency Act, to take a certain percentage of the water. He added that, in the future, this pipeline will serve the extra capacity to the Ord Community when the desal water is needed.

Supervisor Parker commented that a big driver of the rate increase was the interest payments on the outstanding District loans. She commented that it might be more equitable to spread the payments out over time so the future users can pay their fair share and stated that she would like to see what the difference in cost would be to refinance and spreading the loan over thirty or forty years instead of paying it back in ten. Mr. Gomes answered that paying the loan back over a longer period of time would result in an increase in the cost of the loan in aggregate dollars. He added that he was told the reason for the ten year timeline was because it was funding the Armstrong acquisition and not a capital cost. Mr. Gomes added that longer term funding is better for capital facility financing. Mr. Gomes said he didn't know if it was feasible to spread the cost out over more years and although it may benefit current users, he didn't know if it would be beneficial or detrimental to future users.

Supervisor Parker asked for clarification on Armstrong Ranch, the fact that it may be needed for the Regional Desal Project (RDP), and asked for clarification on the possible sale of some of the property. Mr. Gomes answered that in his understanding, if the RDP needed fifty acres, the District would sell those acres to the RDP and the proceeds would be used to pay the debt. Supervisor Parker commented that she understood that the District would be the owner of the desal plant and the land as well. She said that the Armstrong Ranch is very confusing and noted that sometimes it was viewed as an asset for future water and wastewater and charged to all the cost centers, and sometimes it is referred to as collateral for loans on capital improvements. Supervisor Parker opined that it shouldn't be included in the existing rates for the Ord Community Water and Wastewater because it moves around as to what it is being used for.

Mr. Niizawa stated for the record that the District does not intend to sell the Armstrong Ranch property.

2nd Vice Chair/Mayor Pro-Tem O'Connell questioned the Capital Replacement Reserve Fund and asked if there was a certain percentage put in annually and if it had only been in existence since 2009. Mr. Gomes answered that the fund had been in existence for a long time and that it is not a percentage but a fixed amount of \$200,000 deposited annually for water and \$100,000 for wastewater. 2nd Vice Chair/Mayor Pro-Tem O'Connell asked who determined those numbers. Mr. Gomes said that it is part of the budget and presented to the joint boards for consideration. 2nd Vice Chair/Mayor Pro-Tem O'Connell noted the decrease in the reserves and asked how much of the decrease was a result of the RDP and, whether it will be recovered. Mr. Gomes said that he understands the District will be reimbursed for all costs related to the RDP. 2nd Vice Chair/Mayor Pro-Tem O'Connell asked several clarifying questions on CIP projects.

Agenda Item 3a (continued):

2nd Vice Chair/Mayor Pro-Tem O'Connell commented that he would not be able to vote in favor of this when the residents of Marina don't have the right to vote for the officials on the District Board.

Mayor McCloud inquired on how the reserve would be reimbursed. Mr. Gomes answered that it would be reimbursed when the District gets the funding for the RDP. Mayor McCloud asked what quantity of water would be received for the amount being charged. Mr. Gomes answered that the rate increase relates to operating costs and capital costs for existing users. Mr. Houlemard explained the available water supply of 6,600 acre feet and how the projects relate to the ability to access the 6,600 acre feet. Mr. Steve Endsley, FORA, explained that on top of the 6,600 acre feet of potable water, there is 2,400 acre feet of recycled water which is made up of reclaimed and desalinated water.

Councilmember Oglesby asked how much of the water from the RDP will be going to the Ord Community. Mr. Niizawa answered that the Agency Act requires water from the Salinas Valley Aquifer (SVA) to remain in the SVA area. He stated that the RDP will pull water from the ground and when it is determined what portion is from the SVA, although the District doesn't need the water at this time, that portion (approximately 15%) will have to go back into the District area which includes the Ord Community. Mr. Niizawa stated that in order for the RDP to go forward, the District will have to take the water. Councilmember Oglesby asked if the Ord Community will get the entire 15% of the desal water and if not, why are they paying for the \$26 million pipeline. Mr. Niizawa answered that the pipeline is needed for the water augmentation to meet the Base Reuse Plans whether or not the RDP goes forward. Councilmember Oglesby asked if the RDP goes through, would the \$26 million be paid off or would those funds go towards something else. Mr. Houlemard answered that the \$26 million was going to be paid by future users as they will benefit from the project. Mr. Gomes added that the rate increase doesn't factor in a portion of the \$26 million as that will be paid by the future users.

2nd Vice Chair/Mayor Pro-Tem O'Connell asked for clarification of the New Water Fund. Mr. Gomes answered that it was referring to capacity charges.

Kevin Saunders commented that any improvement to the system would directly or indirectly benefit the current and future customers.

Director Shriner asked for clarification on Water Sales Other and Flat Rate Accounts. Mr. Niizawa answered that the Water Sales Other accounts for water that was traded under an agreement to the City of Seaside for use at the golf course in return for property associated with the D Tank site. Mr. Niizawa stated that Flat Rate Accounts were unmetered accounts. Director Shriner inquired on reimbursing the ratepayers if the RDP goes through, and if not, is it fair to the customers.

Agenda Item 3a (continued):

Mr. Lowrey, Marina Coast Water District Legal Counsel, gave a background of the 1996 Agreement between the District, Armstrong family, City of Marina, Owners of Lonestar Property, and Monterey County Water Resources Agency. He explained that the agreement allowed the District access to water without challenge from the Monterey County Water Resources Agency. Mr. Lowrey added the District acquired an option to purchase 224 acres of land on the Armstrong Ranch for the use of production, storage, treatment and distribution of water. Mr. Lowrey stated that the Armstrong property plays a pivotal role as it sits between where the water is going to and where it is coming from which is the Regional Sewage Treatment Plant. Mr. Lowrey explained that the RDP is an add-on to the earlier project, Recycled Urban Water Augmentation Project (RUWAP), which was originally designated for the Ord Community. He stated that when the District exercised its option and purchased the Armstrong property, the Resolution had a dual reference to the RDP and RUWAP environmental documentation. Mr. Lowrey explained that even if the RDP doesn't go through, the Base Reuse Plan is still in effect and there will still be the need for the additional 2,400 acre feet of water and the RUWAP and the Armstrong Ranch property will still be needed. He reiterated that the Armstrong Ranch has had a key place in the planning of the District, the City of Marina, the MCWRA and FORA since 1996.

Director Shriner commented that if this is a temporary cost to the ratepayers, she would like to see this as a temporary rate increase and eventually be given back to them. Director Shriner had some other clarifying questions.

Mayor McCloud asked if there was a timeline issue and if it could wait to see if the RDP goes through. Mr. Houlemard answered that the rates are not connected to the RDP. Mr. Endsley commented that what is before the Board, the same as every year, where the District brings a budget to set the operating and capital rates for the upcoming year.

Ms. Lavonne Stone, Fort Ord Environmental Justice Network, voiced her concerns over the rate increase and mentioned the depressed economy.

Chair Potter closed the public comment.

4. Continued Old Business – from July 8th 2011

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:

Agenda Item 4a1 (continued):

Chair Potter asked if anyone wanted to make a motion.

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. Mayor McCloud seconded the motion with an amendment that it only encompasses the current fiscal year. Supervisor Parker commented that it would be important to spread the improvement costs over time so people only pay their fair share. She added that she had a hard time supporting the increases because of that core argument. Supervisor Parker stated that she is in a quandary over the fact that they are being asked to approve an increase when they don't have any say on how the District spends their money, and voiced her support of the District annexing the Ord Community.

Chair Potter stated that a reason for the meetings was so that the District Board could hear the concerns of the FORA board.

Councilmember Oglesby stated that he agreed with Supervisor Parker's concerns and he hopes the District heads what the FORA Board is saying.

Mayor Bachofner said that the District is doing a good job with trying to keep their costs low, but he is concerned with what he heard from the member of the public. He stated that he put on record with the City of Seaside, but it should go beyond that and to the Government in general, the need to compensate people in a way that is reflective of the compensation types that are out there in the broader community. He stated that while the District reduced their administrative costs it is done through attrition and not what he would deem is reflective of what people are dealt with in the broader community. Mayor Bachofner said that he will vote with the increase but hopes the District is listening and paying attention when it comes to its labor charges.

The motion was passed with 2nd Vice Chair/Mayor Pro-Tem O'Connell, Councilmember Brown, Councilmember Selfridge, and Supervisor Parker voting against the motion.

There was clarification on if this was the first or second vote on this item. It was determined that this was the second vote and the motion was passed.

- (2) MCWD Board Consider Adoption of Resolution Nos. 2011-36 and 2011-37 (Ord Community Budget and Compensation Plan)

Director Nishi made a motion to adopt Resolution Nos. 2011-36 and 2011-37 (Ord Community Budget and Compensation Plan). Vice President Burns seconded the motion.

Agenda Item 4a2 (continued):

The motion was passed.

Director Gustafson	-	Yes	Vice President Burns	-	Yes
Director Shriner	-	No	President Lee	-	Yes
Director Nishi	-	Yes			

Supervisor Parker noted that there was discussion on forming a committee of policy makers to review the budget before it comes before the Board for approval. She stated that this would help to answer the many questions they may have.

Mr. Houlemard stated that it would be appropriate for the Executive Committee to review this in January when additional membership to the Water/Wastewater Oversight Committee could be designated.

Chair Potter thanked the District Board and staff for their time and efforts with the last several joint meetings.

4. Announcements and Correspondence:

There were no announcements or correspondence.

5. Adjournment:

The meeting was adjourned at 5:00 p.m.

APPROVED:

Dan Burns, Vice President

ATTEST:

Jim Heitzman, General Manager