

Marina Coast Water District  
Agenda Transmittal

Agenda Item: 8-E

Meeting Date: November 8, 2011

Submitted By: Paula Riso  
Reviewed By: Carl Niizawa

Presented By: Paula Riso

Agenda Title: Approve the Draft Minutes of the Special Board Meeting of September 30, 2011

Detailed Description: The Board of Directors is requested to approve the attached draft minutes of September 30, 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 30, 2011.

Staff Recommendation: The Board of Directors approve the draft minutes of the September 30, 2011 special Board meeting.

Action Required:     \_\_\_Resolution   \_\_\_X\_\_\_Motion   \_\_\_Review

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Board Action

\_\_\_Resolution No\_\_\_     Motion By\_\_\_     Seconded By\_\_\_

Ayes\_\_\_     Abstained\_\_\_

Noes\_\_\_     Absent\_\_\_

Reagendized\_\_\_     Date\_\_\_     No Action Taken\_\_\_

Marina Coast Water District

Holiday Inn Express  
189 Seaside Circle  
Marina, California

Special Board Meeting  
September 30, 2011  
9:00 a.m.

**Draft Minutes**

1. Call to Order:

Vice President Burns called the meeting to order at 9:00 a.m. on September 30, 2011.

2. Roll Call:

Board Members Present:

Dan Burns – Vice President  
Howard Gustafson  
Jan Shriner  
Kenneth K. Nishi

Board Members Absent:

Bill Lee – President

Staff Members Present:

Jim Heitzman, General Manager  
Lloyd Lowrey, Legal Counsel  
Carl Niizawa, Deputy General Manager/District Engineer  
Paula Riso, Executive Assistant/Board Clerk

Audience Members:

Brent Ives, BHI Management Consulting  
Suresh Prasad, Monterey Peninsula Water Management District  
Craig Anthony, California American Water Company  
Bill Hood, Carmel Resident  
Gabiella Alberola, CSUMB Student  
Louis Espinola, CSUMB Student

3. Public Participation:

There were no public comments.

4. Workshop:

A. Regional Desalination Project:

Mr. Jim Heitzman, General Manager, introduced this item and handed out a copy of the May 1, 2009 Memorandum of Understanding (MOU) with Monterey Peninsula Water Management District (MPWMD). He explained that the MOU was a commitment to work together. Mr. Heitzman gave a brief background on the District's history.

Mr. Heitzman stated that in 1989, the District signed an Annexation Agreement with the Monterey Regional Water Pollution Control Agency (MRWPCA). Mr. Heitzman noted that an important part of the Agreement was that the District obtained the right to get its wastewater back as recycled water from the Regional Treatment Plant. He added that the District gave away a large percentage of the 2,000 acre feet of recycled water to the farmers, and paid millions of dollars of seed money so that the CSIP project could come together.

Mr. Heitzman stated that in 1996, the District signed an Annexation Agreement Groundwater Mitigation Framework with Marina Area Lands (Monterey County Water Resources Agency, City of Marina, Armstrong Family, RMC Lonestar) to provide water for Marina Area Lands. He said that the County agreed that it was appropriate for the District to plan and develop new water supplies, including recycled reclamation and desalinization. Mr. Heitzman said the 1996 Agreement also reserved the right and an option for the District to purchase 224 acres of the Armstrong Ranch for water production, treatment, storage and distribution.

Mr. Heitzman stated that in 1998, the District signed a Water/Wastewater Facilities Agreement with the Fort Ord Reuse Authority (FORA) to provide water and wastewater services to the former Fort Ord. He added that the District also signed a Water/Wastewater Facilities Agreement with the US Army to provide water and wastewater services for areas that remained under jurisdiction of the US Army on the former Fort Ord. Mr. Heitzman stated that FORA and the District agreed to cooperate on groundwater use and management and on furthering the use of recycled, reuse and reclaimed wastewater on the former Fort Ord.

Mr. Heitzman stated that in 2008, the District signed a Coordination Agreement for Aquifer Storage and Recovery and injection testing with the MPWMD.

As stated before, Mr. Heitzman explained that the District signed a Memorandum of Agreement with the MPWMD in 2009 to encourage and facilitate communication and cooperation with one another, and to encourage governmental effectiveness and efficiency.

Mr. Heitzman stated that since 2004, the District has worked with the Monterey County Water Resources Agency (MCWRA) and other local interested jurisdictions and parties to incorporate regional planning into the water supply plans of California American Water under the guidance authority of the California Public Utilities Commission (CPUC).

Agenda Item 4-A (continued):

Mr. Heitzman said that the District was a leader in the REPOG meetings and coordinated the efforts that led to the approval of a Regional Desalinization Facility Project by the CPUC in December 2010. He added that the District invested millions of dollars on this effort to help bring a reliable, supplemental supply of water to the Marina Area Lands, the former Fort Ord, and the Monterey Peninsula.

Mr. Heitzman commented that today the District has heard from Supervisor Potter, representatives of the local cities, local business groups, and individuals, about a desire for a way to participate in the Regional Project, to help control costs and exercise oversight in the operation of the Regional Desalinization facility. He said that the District understands the desire for local control and public participation. Mr. Heitzman stated that the District passed a sustainability policy that says the District will do what is best for the environment which often means regional cooperation. He said local control and accountability are big reasons why the District was chosen to provide water and wastewater service to the former Fort Ord. Mr. Heitzman said that it makes a lot of sense for the District to talk about participation and form an Operations and Maintenance (O&M) Committee on the Regional Desalinization facility.

Mr. Heitzman said that he is not asking for any action to be taken, only for direction to go out and see if there is any interest to form a committee and look at the process of putting together an actual committee with budgetary authority over the O&M portion of the Regional Desalinization facility. Mr. Heitzman reiterated that this is not determining that there would actually be a committee and who would sit on it; only that he would reach out to the Mayors, MPWMD, the Hospitality group or any stakeholder that would be interested in participating in putting together a committee with budgetary authority over the O&M portion of the Regional Desalinization facility.

Director Nishi commented that he was speaking as only one Board member. He said that in the past, it might have been okay for each City or District to worry only about its own concerns, but that time was long past. Director Nishi said that it costs too much of the residents' money and wastes too much time for each City or District to negotiate against each other trying to push its own agenda. He said the cost of not working together regionally is just too high as the region is too small and the best way to succeed is to work together. Director Nishi reinforced what Mr. Heitzman just said on how the District has been a regional player by again listing the numerous agreements the District has signed. He listed the 1989 Annexation Agreement with the Monterey Regional Water Pollution Control Agency (MRWPCA); the 1996 Annexation Agreement Groundwater Mitigation Framework with Marina Area Lands; the 2008 Coordination Agreement for Aquifer Storage and Recovery and injection testing with the MPWMD; and, the 2009 Memorandum of Agreement with the MPWMD.

Agenda Item 4-A (continued):

Director Nishi commented that the District ratepayers rely on the economic vitality of the Peninsula just as their Peninsula neighbors do. He stated that it is the responsibility of people in elected positions to protect not only everyone's interests, but to protect all of the residents' futures. Director Nishi commented that it means everyone should consider how everyone could have a say in how this project moves forward. He added that a publicly owned Regional Desalinization Project is a critical part in ensuring a secure future for the generations to come. Director Nishi stated that this proposed committee should be a first step in moving that direction. He said that the District has shown its continued commitment by investing its time and money in this Regional Project. Director Nishi said that he supports the General Manager's suggestion and looks forward to being a part of a larger community.

Director Shriner inquired if this would be a "listening" committee or if the members would be given a vote. Mr. Heitzman commented that he is suggesting the committee have budgetary authority over O&M. Director Shriner asked if that meant all the committee members would have a vote. Mr. Heitzman answered that he is asking for direction to reach out and form a committee of stakeholders, and the process would be that each committee member would get a vote. He said that the District would like to be a member, and probably the city mayors and other stakeholders would like to be members. Mr. Heitzman said that the size of the committee would remain to be seen, but he believes that they would all like to have the ability to vote on the O&M budget.

Director Shriner questioned the possibility of extending the Fort Ord Reuse Authority's (FORA) sunset date, and noted that she didn't think FORA was doing a very good job of coordinating the jurisdictions. She asked if this committee would be different from FORA and if they would be more productive than FORA. Mr. Heitzman said that he was asking for a committee to review how that would work. He stated that whatever the size of the committee, their direct mission would be to regulate the facility and run the O&M which would result in them being in charge of the cost of the water that comes out of the desalinization facility. He said that if the stakeholders support it, somewhere in the design process of the desalinization, the committee would become intimately involved with budgetary authority. Mr. Heitzman stated the committee would have a single mission which is to operate the facility and wouldn't be like FORA with a member from every jurisdiction. He said that it would be more in line of a Joint Powers Authority. Mr. Heitzman said that he is asking for the first step, because without a first step, you can never get to the next step. He said there would probably be some attorney fees for things like by-laws to describe what the committee's authority would be and what rules they will follow.

Director Shriner voiced her concern that another agency would be formed similar to FORA and the high costs associated with it. She added that she has been thinking about it a lot since the Remcho Report came out and was concerned that people need to be held accountable and not just passing the buck on to someone else.

Agenda Item 4-A (continued):

Mr. Heitzman stated that he didn't think there would be any cost to the committee unless they decided they needed a per diem. He said he didn't see the connection with FORA.

Director Gustafson asked what Director Shriner's point was in bringing up the Remcho Report and making accusations when she didn't know anything about it other than what she read.

Director Shriner asked that the minutes reflect that a Board policy was violated for respecting other Directors.

Director Nishi commented that it was his understanding this item was on the agenda to see if the Board wants to begin with the first step and Director Shriner is asking about steps two and three. He stated that although her questions are good, they are a bit premature and if they don't take the first step, how will they know what the next steps would be. Director Nishi said that this is just exploratory and they want to give the other people in the region a voice in what is occurring.

Vice President Burns asked if this committee would be similar to the Ord Community Ad Hoc Committee where they made recommendations. Mr. Heitzman said that it depended on what direction he received from the Board and then what the committee determines. He said the Ord Community Ad Hoc Committee had a specific task of looking at how to accomplish an annexation. Mr. Heitzman stated that this committee would be on-going and would be responsible for the budget of the desalinization facility under the by-laws. He said that first a committee needed to be formed to determine what and who would serve on the O&M Committee, and if any Mayors or even the MPWMD want to participate, they would probably need to go to their Council or Board first and then it would have to come back to the District's Board for consideration.

Mr. Heitzman noted that the District has a long history of participating regionally and with the public; and is open and transparent. He said that it was obvious when the District entered into this that the City of Marina would face a huge economic downturn if the Peninsula fails. He added that the District is a water purveyor and water provider which is why it fits very well into the project. Mr. Heitzman said that the people on the Peninsula don't feel they get complete representation because we are not on the Peninsula, only Marina and Fort Ord. He stated that this is the ability to let everybody to sit on O&M which is an important part of the project as well as the cost of the water. Mr. Heitzman said it was a way for them to have responsibility and some ownership of a public water supply.

Director Shriner asked if this item was on the agenda for action. Mr. Heitzman answered that he was not looking for action, just direction to go out and determine if there is an interest from others to participate. He said if there was interest from the others, he would come back to the Board for action at that time.

Agenda Item 4-A (continued):

Mr. Lloyd Lowrey, Legal Counsel, commented that the item was not agendaized as an action item. He said that it could be agendaized for the next Board agenda for action if needed.

Director Nishi reiterated that he supported what the General Manager was doing.

Director Shriner commented that she would like to see an agenda item with an estimate of time and cost associated with investigating the concept.

Mr. Louis Espinola, CSUMB Student, asked for clarification on the agreements the District has signed. Mr. Heitzman stated that he would meet with Mr. Espinola after the meeting and give him the information he was seeking.

Ms. Gabriella Alberola, CSUMB Student, inquired if the final decision on forming the advisory committee would be up to the District's Board or if the other agencies had a say. Mr. Heitzman answered that he wasn't sure how it would play out, but the District Board would certainly have to approve it. He said that he believes the other agencies wanting to participate would have to approve who would be their representative.

Vice President Burns asked what the next step was.

Mr. Lowrey answered that Mr. Heitzman has been receiving feedback during the meeting and if any Board member wanted to have it on the agenda for the next regular meeting, it would give an indication to Mr. Heitzman that there was interest in considering it further. Mr. Heitzman said that Director Nishi had voiced his support. Director Gustafson stated he supported it, too.

Director Shriner asked if it was clear that she asked for an agenda item with an estimate of time and cost associated with investigating the concept. She also asked that next time statements are read at a meeting, everyone get a copy of the written statements.

#### B. Strategic Planning:

Mr. Brent Ives, BHI Management Consulting, asked if there was a consensus to continue Strategic Planning with only four Board members present and if so, for how many hours was everyone expecting to participate. Vice President Burns stated he thought the meeting was scheduled until noon. Director Gustafson agreed. Director Nishi asked how they could hold a workshop with only four members present especially when they were going to discuss the meat of the Strategic Planning.

The consensus of the Board was to continue for now and see how it goes.

Agenda Item 4-B (continued):

Mr. Ives asked the Board if there was anything specific they were concerned about or wanted to talk about and asked them to let him know as they went through things.

Director Shriner commented that she was recently made aware of different District policies and would like to discuss which ones still exist and what they were for. Mr. Ives commented that District policies weren't really part of Strategic Planning, but noted that they were of concern to Director Shriner.

Vice President Burns commented that he would like to discuss the Regional Urban Water Augmentation Project (RUWAP) and the monthly meetings with MRWPCA that were supposed to be happening, and to discuss pumping non-potable replenishment water through the Districts pipelines. Director Nishi commented that the MRWPCA canceled meeting with the District. Discussion followed.

Vice President Burns suggested maybe discussing a "Plan B" if the Regional Project doesn't move forward.

Director Shriner suggested keeping focused on the annexation of the Ord Community.

Vice President Burns asked to review and update the Capital Projects process. He also asked to discuss the need for another rate study. Mr. Lowrey suggested talking about what a rate study needs to do and when it fits into the process.

Mr. Ives commented that the foundation for the District's strategy is the Mission, Vision and Core Values and everything the Board and District does will always link back to the Mission, Vision and Core Values. Mr. Ives went over what the items that would be discussed over the next two workshops and what Strategic Planning means to the District and Board.

Mr. Heitzman commented that the District hasn't done a reorganization in many years and part of Strategic Planning is for the Board to decide how they want the organization to look later on in 3, 5 or 10 years. He said he would like the Board to discuss things such as, will technology replace positions, will there be a Mission change, and will annexation play a part in the District's story. Mr. Heitzman stated that some positions have been around for 25 or more years, and would like to see discussion regarding job titles and if the duties are still valuable to the ratepayers. He said that staff hoped the Board would see the value of actually looking at some reorganization inside the District so that they could be a more efficient group. Mr. Heitzman commented that the District recently reorganized the Customer Service Department slightly and as it was a good fit, the Board approved it. He said the Operations and Maintenance Department has not been restructured in 25 years and there are new regulations with requirements that the District doesn't currently meet.



Agenda Item 4-B (continued):

There was discussion on how reorganization might be good for the District. Vice President Burns asked if Mr. Heitzman had looked into working with other agencies to maximize coverage without increasing costs, i.e. working with Seaside Sanitation District to maintain sewer lines. Mr. Heitzman agreed that those things could be discussed and gave an example of Seaside Mutual Water Company whom the District has occasionally lent a hand to and has helped them with things like equipment. He said that another thing the Board could look at is duties within the departments themselves. For example, Mr. Heitzman said that the wastewater operator duties could be split from the water operator duties, or they could be combined so that they can do both. He added that the District doesn't have a Safety Program and the liability might warrant that the Board decides to designate someone as the Safety Program manager either full or part time.

Vice President Burns questioned if the Board should be looking at making sure there is adequate coverage and certification for running the desalination plant if necessary. Mr. Heitzman stated that it would be part of the Board's decision when the design phase of the plant is discussed.

Mr. Ives went over the Board members comments on the strengths and weaknesses of the District. Discussion followed regarding public perception and media's coverage of the District.

Vice President Burns recessed the meeting from 10:13 a.m. until 10:25 a.m.

Mr. Ives began discussion on the District's Mission Statement.

Director Nishi left the meeting at 10:27 a.m.

Director Shriner commented that there was a general distraction by what appears to be another meeting going on with Mr. Fogelman, Mr. Heitzman, and Director Nishi. She commented that Mr. Lowrey also was in and out of the meeting.

Vice President Burns agreed with Director Shriner and commented that he is not going to attend any future Strategic Planning meetings if there isn't going to be participation by the Board. He asked if he should ask the others to rejoin the Strategic Planning workshop. Director Gustafson commented that there is important information being discussed and they shouldn't interrupt the others right now.

Director Shriner stated that if Director Gustafson knows what is being discussed, would he please share it with everyone else. Director Gustafson stated that he didn't know specifically what was being discussed, but he could guess that it is important by the people involved.

Vice President Burns asked if they could move on with the Strategic Planning.

Agenda Item 4-B (continued):

Director Shriner questioned if it was the District's responsibility to find water sources or to supply water from sources that are available.

Vice President Burns commented that finding water sources is very important especially with seawater intrusion. He said that the phrase "reasonable cost" is tricky for some people to understand, because they don't really know what exactly goes into the cost of providing water.

Director Shriner commented that with regards to the Regional Desalination Plant, she didn't understand why the District was so heavily involved with the Peninsula's water problems.

Director Gustafson briefly explained the background of how the District began looking into desalination long before anyone else started talking about desalination. He explained how the District was the first to use reclaimed water, first to build a pilot desalination plant, looked into the Ord Wastewater Treatment Plant and then purchased Armstrong property for future water uses. Director Gustafson stated that the REPOG meetings began with mostly Peninsula people attending and continued for three years before finally deciding on the Regional Desalination Plant. He said that the Peninsula cannot say they were not involved, because they were more involved than anyone else during REPOG.

Mr. Ives returned to discussion on the Mission Statement. Director Shriner stated she had reservations about the phrase "District's expanding communities" and said that she wasn't sure if it meant service area or jurisdiction, and it appeared to her it include some portion of Cal Am. Mr. Lowrey commented that from a legal standpoint, the statement which focuses on the District doesn't preclude entering into strategic alliances that might wind up benefitting someone else. He said the question would be whether they are benefitting the District through the strategic alliance. Mr. Lowrey said that the statement would say the District is not going to enter into an strategic alliance or some kind of an arrangement that is going to benefit other people and not benefit the District. He said that as long as it benefits the District, the fact that it benefits someone else just means that the District has used that as a tool to accomplish the Mission.

Vice President Burns stated that in his opinion, a Mission Statement is as good as it gets at the time you had it. He said that he thinks Mission statements are a waste of time and Core Values are more important than Mission Statements.

Mr. Ives stated that everything the District does has to be linked to the Mission Statement as it's the cornerstone.

Mr. Ives commented that the Vision Statement moves the Mission forward.

Agenda Item 4-B (continued):

There was discussion on the Vision Statement and the phrase “Monterey Bay Region”. There was discussion on the phrase “*the* leading public supplier” and Mr. Heitzman suggested changing it to “*a* leading public supplier”. Mr. Ives noted the suggested change and it will be discussed at the next workshop.

Mr. Ives went over Core Values and decision filters and gave examples for the Board to discuss.

Director Gustafson commented that the District has a great maintenance program. Discussion followed.

Mr. Lowrey commented that, over the years, he has observed the key values from the different Board members of the District. He said local control and accountability has been a key, cost effectiveness/efficiency has been another key, keeping options open, and being proactive and staying ahead of the curve. Mr. Lowrey stated that the District tried to stay ahead of the curve by being the first to do a local recycle project; have a small pilot desalination plant; and a conservation department.

Vice President Burns suggested a Core Value/decision filter to be “Does it support our employees by providing job satisfaction, competitive compensation and opportunity?” Discussion followed.

Mr. Ives reviewed the Core Values/Decision Filters that were agreed upon for further discussion.

- Is it cost effective/practical?
- Does it support our commitment to maintenance of our infrastructure to protect the rate payers of today and in the future?
- Will it support our commitment to reliability in the services we provide?
- Is it responsive, open and clear to our customers?
- Does it support our employees by providing job satisfaction, competitive compensation and opportunity?
- Is it environmentally sensitive?
- Does it support local control, conserve resources and promote accountability?
- Will it keep all options open?
- Does it assure that we are proactive?

Mr. Ives stated that the Mission, Vision, and Value are draft sets and they would be discussed at the next workshop.

5. Directors Comments:

Director Gustafson commented that it was a good workshop and they covered a lot of stuff.

Director Shriner commented that she appreciated the work Mr. Ives was doing with the Board. She voiced her concern over what was happening around them and that some of the board knows and understands what is going on and other board members are not allowed to know what is happening, even after they ask. Director Shriner said that until they can share, at least among Board members, what is going on in the District, it will be hard to remove the division amongst the Board.

Vice President Burns commented that it was unfortunate to have people going in and out of the room and at the next workshop he would like to see a commitment from everyone to stay in the room.

6. Adjournment:

The meeting was adjourned at 11:53 a.m.

APPROVED:

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Dan Burns, Vice President

ATTEST:

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Jim Heitzman, General Manager