



PAJARO VALLEY WATER MANAGEMENT AGENCY

36 BRENNAN STREET • WATSONVILLE, CA 95076
TEL: (831) 722-9292 • FAX: (831) 722-3139
email: info@pvwater.org • <http://www.pvwater.org>

Board of Directors Meeting
April 20, 2015 7:00 p.m.

City Council Chambers
275 Main Street, 4th Floor
Watsonville, CA 95076

BOARD MEETING MINUTES

- 1. Call to Order:** The Regular Board Meeting of Pajaro Valley Water Management Agency was called to order at 7:05 p.m. by Chair Imazio, in the City Council Chambers, 275 Main Street, 4th Floor, Watsonville, CA.

- 2. Roll call of the PVWMA Directors:**

Board Members Present: Imazio, Cavanaugh, Persoff, Lynn, Newell, Furot

Board Members Absent: Zamora

Staff Members Present: Mary Bannister, General Manager (GM)
Brian Lockwood, Sr. Water Resources Hydrologist (SWRH)
Teresa Delfino, Administrative Services Manager (ASM)
Lauren Valk, Assistant Agency Counsel (AAC)

Others Present: Warren Koenig, Public
Erin McCarthy, Consultant
Stephen Rider, Public
Tom Rider, Public
Steve Stagnaro, Consultant

- 3. Pledge of Allegiance**

- 4. Oral Communications:** None

- 5. Director Comments:** None

- 6. Counsel Report:** AAC update: City of San Buena Ventura vs. United Water Conservation District - Court of Appeals had upheld that groundwater pumping charges are considered regulatory fees and not subject to Prop 218. A week later a case came out of the 6th District Court of Appeals, where Pajaro Valley cases have been heard, held opposite with very similar facts and they affirmed what they held in the Griffith vs Pajaro case that groundwater pumping charges are property related fees and subject to Prop 218 and that you have to follow procedures outlined in the constitution –if a Petition for Review is filed with the California Supreme Court it could take this case for review. Another option would be to request the case in City of San Buena Ventura be depublished, it could not be cited for authority or any action in the future.
Capistrano Taxpayers Association Inc. vs City of Capistrano – tiered rate case. Court held can comply with requirements of Prop 218, in this case the tiered rate case violated Prop 218 did not

provide service at the corresponding level of usage. The City was told they cannot use Consumption Assumptions and have to provide a Cost of Service Report that shows each tier of pricing with the corresponding cost to the agency to provide that water. An important State issue: conservation pricing – prices and tiers cannot be set to be punitive, have to show that higher level of usage corresponds to a cost to the agency. Governor sending message to water agencies that they need to implement rates that encourage conservation and punish those that overuse water.

Rate payers also challenged the inclusion to build a Water Recycling Facility and its total cost of providing its water service similar to PVWater the cost of its capital improvement, Water Recycling Facility and Coastal Distribution System. Rate payers claim that not all customers will be using the recycle water or future water from the new facility is readily available. If water is available to all stakeholders then costs will be to all stakeholders.

- 7. **General Manager Report:** GM reported that Fritz Koontz/ Corralitos Farms, is on track with a payment plan. Director Faurot stressed the importance and cost savings of Directors using tablets. GM also reported that she is working on a review of Director stipends, as per request of Director Persoff and that the Personnel Policy Manual will be reviewed by the employee group and then possibly hold a Special Board Meeting, single item, closed session, Wednesday, June 3, 2015, 3 p.m.- 5 p.m.

8. **Consent Agenda**

- A. Approved March 18, 2015 Minutes
- B. Approved Financial Reports for March 2015
- C. Approved Draft 2013 Annual Report

Action: Director Newell moved to approve items A through C of the Consent Agenda, seconded by Director Cavanaugh

Motion carried by the following voice vote:

AYES: Imazio, Cavanaugh, Persoff, Lynn, Newell, Faurot
NOES: None
ABSENT: Zamora
ABSTAIN: None

- D. Approve Agreement for Drought Awareness Outreach Campaign with Stagnaro Strategic Marketing in the amount of \$29,500

Director Imazio had questions regarding the Agreement and made a motion to pull Item D from the Consent Agenda; seconded by Director Lynn.

Steve Stagnaro, Stagnaro Strategic Marketing, clarified the Scope of Work and it was decided that the first Scope of Work (page 31 of 170) was not relevant to this agreement. Mr. Stagnaro answered questions from Directors. Item 2. Maximum Payment section was corrected to read: shall not exceed twenty-nine thousand five hundred dollars (\$29,500)

Action: Director Newell moved to approve item D of the Consent Agenda; seconded by Director Cavanaugh

Motion carried by the following voice vote:

AYES: Imazio, Cavanaugh, Persoff, Lynn, Newell, Faurot
NOES: None
ABSENT: Zamora
ABSTAIN: None

9. Informational Items**A. Receive Update on Sustainable Groundwater Management Act**

SWRH attended and spoke of his 1st Meeting with the Practitioners Advisory Panel (PAP) (formerly known as “Technical Advisory Panel”) which consists of 18 members. A power point of the meetings highlights was presented.

The meeting focused on three main items: 1) Groundwater Sustainability Program Draft Strategic Plan 2) Basin Boundary Regulations, and 3) Critically Overdrafted Basins.

David Gutierrez, Program Manager, leads The Sustainable Groundwater Team (DWR). This team made approximately 60 visits throughout California to discuss SGMA and hear the local concerns. With additional participants from DWR staff, State Water Resources Control Board staff and Center for Collaborative Policy facilitators, there were 50+ in attendance.

PAP and DWR teams shared information and recommendations. Roundtable discussions of key issues and Q & A sessions were encouraged.

PV Water staff hosted four Groundwater Resources Association Brown Bag SGMA webinars. A meeting will be held, regarding basin boundary issues in Sacramento, with the Sustainable Groundwater Team and Santa Cruz County Partners on Friday, April 24, 2015.

B. Receive Update on Agency Debt Refinance

GM presented that the Agency’s Standard & Poor’s Rating has been increased from BBB+ to A- on both 1999 COPs and Series 2015 water revenue refunding bonds. Bonds were locked in on April 14, 2015 with historically low interest rates and an all-inclusive cost of 2.67%. Estimated principal and interest savings of \$3,500,000 through March 2029. Refinancing is scheduled to close on April 30, 2015.

C. Receive Update on Capital Projects Planning and Funding

SWRH updated on agency projects. 1) Recycled Water Storage and Distribution Pump Improvements – Advertise Bids is pending SRF financial agreement ; 2) Blend Well Pipeline Improvement Project – Notice to Proceed will be signed approximately two weeks after notice of award and ; 3) K-1 Pipeline Project – CEQA addendum in progress, and 4) BMP Monitoring Network – Notice to Proceed will be issued pending insurance documents from contractor

D. Receive Update on Proposition 218 Rates Adjustment Effort

GM updated on rate workshops held. Three total. Not a lot of interest from the public.

10. Discussion and/or Action Items**A. Consider adopting Resolutions 2015-08 and 2015-09 for the Financial Package for the State Revolving Fund Application**

AAC discussed: 1) Resolution 2015-08 which authorizes GM to sign and file, on behalf of PV Water, a Financial Assistance Application for a financing agreement with the SWRCB and 2) Resolution 2015-09 authorizes submission of reimbursement request for project costs. Maximum loan amount desired by agency is \$11,668,000. Resolution is adopted to satisfy Treasury and IRS regulations relating to projects. Resolution wording prescribed by State as a condition of loan approval. Bond counsel reviewed Resolutions and stated they are very standard for SRF loan applications.

ACTION: Director Cavanaugh moved to approve adopting Resolution 2015-08 and Resolution 2015-09 for the State Revolving Fund: Seconded by Director Faurot

Motion carried by the following voice vote:

AYES: Imazio, Cavanaugh, Persoff, Lynn, Newell, Faurot
NOES: None
ABSENT: Zamora
ABSTAIN: None

- B. Consider adopting Resolution 2015-10 Adopting CEQA Addendum for Recycled Water Storage and Distribution Pump Station Improvements

AAC presented this item. This requirement of the third Resolution that the SRF is asking board to approve. The State CEQA guidelines requires our agency to prepare an addendum to the previously certified EIR if changes or additions to a project are necessary. SWCA, environmental consultant, determined future changes would not cause any of the conditions requiring preparation of a subsequent or supplemental EIR. No further CEQA documentation or review required.

ACTION: Director Newell moved for approval Resolution 2015-10 adopting CEQA addendum for recycle water and distribution pump station improvements; Seconded by Director Cavanaugh

Motion carried by the following voice vote:

AYES: Imazio, Cavanaugh, Persoff, Lynn, Newell, Faurot
NOES: None
ABSENT: Zamora
ABSTAIN: None

- C. Consider approval of agreement with Carollo Engineers, Inc., for Recycled Water Storage and Distribution Pump Station Improvements, Design Modifications, Bid Period Services, and Engineering Services During Construction in the amount not to exceed \$\$264,240 for a term ending October 30, 2016

GM spoke on the agreement and scope of work submitted by Carollo Engineers. Carollo will provide the bid support services and engineering services during the constructions. The design engineer is available for questions or analysis if appropriate.

ACTION: Director Cavanaugh moved to approve the agreement with Carollo Engineers for the recycle storage and pump station improvements not to exceed amount of \$264,240 for a term ending October 30,2016; Seconded by Director Newell

Motion carried by the following voice vote:

AYES: Imazio, Cavanaugh, Persoff, Lynn, Newell, Faurot
NOES: None
ABSENT: Zamora
ABSTAIN: None

- D. Consider approval of Resolution 2015-11 Proclaiming 2015 Water Awareness Year

Due to the critical nature of the drought, the recent historic Sustainable Groundwater Management Act legislation, and the implementation of the Basin Management Plan Update, staff proposes the Board of Directors consider making the 2015 Water Awareness Year.

GM shared that she had attended a drought briefing meeting in Sacramento. Thought we should make a proclamation make this Water Awareness Year instead of Water Awareness Month. Climatologist stated that all records have been broken. The highest temperatures, 2013 and 2014, average year 2014 was 2 degrees warmer than 2013. GM said she would like for the board to consider for the 2015/16 budget year to support a drought response plan and extra outreach. SWRH talked about the rainfall accumulation, extreme drought situation and quarterly water savings.

Erin McCarthy, Sr. Program Manager, Ag Water Quality Coalition, discussed success of programs that have been implemented and upcoming programs for additional needs for conservation. The Coalition is able to reach out to additional conservation partners.

GM stated that agency is looking for \$50,000 but that amount can be refined. At this time it is important to look at programs that stack on the BMP solution in the event that we have drought, now or in 10 years.

ACTION: Director Newell moved that the Board adopt Resolution 2015-11, Proclaiming 2015 as “Water Awareness Year,” and direct staff to reallocate \$50,000 in the FY 15/16 budget to drought response work; Seconded by Director Persoff

Motion carried by the following voice vote:

AYES: Imazio, Cavanaugh, Persoff, Lynn, Newell, Faurot
NOES: None
ABSENT: Zamora
ABSTAIN: None

E. Consider Adoption of Preliminary Budget 2015-2016 Fiscal Year (FY 15-16)

The Administrative/Finance Committee received and reviewed the Preliminary Budget for Fiscal Year 2015-2016 (FY15-16).

ASM presented the preliminary budget items. Major revenue assumptions made for this fiscal year are:

- New rate structure in effect July 1, 2015
- Receipt of \$383,634 in Management Fees
- Anticipated augmentation charge revenues of about \$10.2 million, based on 51,700 acre feet of groundwater use
- Anticipated delivered water revenues of about \$1.67 million based on 4,800 acre feet of supplemental water deliveries
- Grant revenue in the amount of \$1.2 million for the additional tank storage at the Recycled Water Facility
- Other highlights:
- Capital Projects expenditures of \$8 million for new pipeline and storage tank at the Recycled Water Facility.
- \$186,000 in funding of conservation from the Special Revenue Fund, plus one new conservation staff position
- \$75,000 in Basin Modeling professional services for the USGS to update the Pajaro Valley Hydrological Model
- Interest savings of over \$250,000 per year by refinancing outstanding debt obligations
- Addition of one new vehicle

Revenues will be 13.5M and 18M in expenditures.

Director Cavanaugh asked when the new conservation position will be implemented. GM responded that she is hoping it will be approved in June. And to be implemented in the new fiscal year.

ACTION: Director Cavanaugh moved that Board review and adopt the draft Preliminary Budget for FY 2015-2016, schedule a public hearing on May 20, 2015, and consider adoption of the final budget on June 17, 2015; Seconded by Director Faurot

Motion carried by the following voice vote:

AYES: Imazio, Cavanaugh, Persoff, Lynn, Newell, Faurot
NOES: None
ABSENT: Zamora
ABSTAIN: None

11. Monthly Reports/Presentations

- A. Facility Operations Report
 - 1. Receive 2015 Supplemental Water Production Monthly Summary Report
 - 2. Board Committee Reports available at www.pvwater.org

12. Written Communications/Correspondences

13. Future Meetings

- A. Project and Facility Operations Committee, April 29, 2015, 3:00 p.m.. Water Resources Center, 500 Clearwater Lane, Watsonville, CA
- B. PV Water Solutions Rate Workshop #3, April 30, 2015, 7:00 p.m., Santa Cruz Co. Fairgrounds, Heritage Hall, 2601 E. Lake Avenue, Watsonville, CA
- C. Administrative/Finance Committee – May 12, 2015, 4:00 p.m., PVWMA Conference Room, 36 Brennan Street, Watsonville, CA
- D. Board of Directors – May 20, 2015 7:00 p.m., Watsonville City Council Chambers, 275 Main Street, 4th Floor, Watsonville, CA

14. Future Agenda Items

Adjourned at 9:50 p.m.

L R Taay

Laura R. Taay, Board Secretary

May 20, 2015

Date Approved