



## PAJARO VALLEY WATER MANAGEMENT AGENCY

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**Ad-Hoc Funding Committee**  
**November 21, 2013, 3:00 p.m.**

**500 Clearwater Lane**  
**Watsonville, CA 95076**

### AD-HOC FUNDING COMMITTEE MEETING MINUTES

#### 1. Meeting called to order

**Roll call of Appointed Committee Members:** The Ad-Hoc Funding Committee Meeting of the Pajaro Valley Water Management Agency was called to order in the City of Watsonville Water Resources Center Conference Room, 500 Clearwater Lane, Watsonville, CA, at 3:08 p.m. by Committee Chair Dave Cavanaugh.

Committee Members Present: Dave Cavanaugh (Chair), Kirk Schmidt (Co-Chair), John E. Eiskamp, Amy Newell, Skip Fehr, Stuart Kitayama, Steve Palmisano, Bill Lipe, John Martinelli, Paul Faurot, Dick Piexoto, Stephen Rider,

Committee Members Absent: Chuck Allen, Frank Capurro, Tom Karn

Staff Members Present: Mary Bannister, General Manager (GM)  
Brian Lockwood, Senior Water Resources Hydrologist (SWRH)  
Teresa Delfino, Administrative Services Manager (ASM)  
Lauren Valk, Agency Counsel Substitute (ACS)

Others Present: Rosemarie Imazio  
Warren Koenig  
Lidia Gutierrez  
Lou Carella  
Pierce Rossum (via Telephone)  
Margie Kay

**2. Committee comments:** Chair Cavanaugh summarized the meeting that was held at College Lake. Meeting was well attended and very informative. Generally positive, discussions continue regarding College Lake project and coordination required. Reminded everyone that the EIR comment period is open.

**3. Public comments:** None

**4. Consider approval of minutes from October 24, 2013 meeting:** Corrections to minutes as follows: Page 1, Item #5, 1<sup>st</sup> sentence replace Paul Friedlander's name with Lou Carella. Typo on page 2, 1<sup>st</sup> paragraph, 3<sup>rd</sup> sentence, should read Protest not Protect and page 2, Item #6, 2<sup>nd</sup> paragraph, firm name of Bartkiewicz, Kronick & Shanahan not Bartkiewicz, Kronick & Shanhan. The minutes were approved without objection and with the noted corrections.

**5. Rate Setting Process – Engineering and Cost of Service – Carollo Engineers:**

Lou Carella with Carollo Engineers made a presentation regarding the rate setting process and overview of the 2010 rate setting process.

Where We Are Today – Project work plan (read map) was distributed highlighting current meeting activities, objectives and deliverables. There are no required committee action items today.

Next month preliminary listing of acceptable rate structure alternatives:

Existing Rate Structure – Cost of service analysis evaluated supplemental water services and allocation of costs; consumption based rate alternatives were considered and compared against the criteria; consumption based charge was deemed the most appropriate from a technical, legal and financial perspective; higher use leads to higher impact resulting in higher cost (benefit); additionally the consumption based charge was easier to implement and more publicly accepted; current consumption based charge includes consumption based flat fee +zone charge (Delivered Water Zone); approach consistent with proposition 218 requirements.

Rate Development Process – Step 1. Determine revenue requirements (in 2010 the revenue requirement was \$9.85M annually); Step 2. Cost of service analysis (budget categories are allocated to functional categories); Step 3. Rate structure is established (in 2010 it was a flat fee with a premium for metered users in the Delivered Water Zone); rates support agency projects and operation.

Focused Rate Consideration- for 2013, several land and consumption based rate alternatives will be considered (Step 3)

Uniform rate (existing)- unit cost does not vary with usage, easily understood and administrated, **legally validated through court decisions**

Tiered rates (based on usage per acreage)-unit cost increases in incremental steps as consumption per acre increases; can be an effective conservation incentive but more work to implement

Seasonal/time of day – unit charge from summer vs winter or day vs night; suitable for delivered water not pumped groundwater

Water budget/allotments – based on customers utilization of property acreage, land use, crop type

Property assessments – only land based charge; revenues not dependent on water demand, not impacted by conservation; not currently allowed by agency act

Each alternative will be evaluated against an expanded list of criteria (legal, technical, implementability, public acceptance, revenue stability, encouragement of conservation); a screened list of alternatives will proceed in the analysis.

Round table questions and discussions regarding rate alternatives:

Are there any agricultural examples of the water budget rate structure that have been upheld in the court – NO

Is it possible to mix and match – YES; the day vs. night for delivered water along with uniform rate for groundwater as an example

The N/A is not necessarily correct for tiered rates for delivered water; we should still encourage conservation for recycled water users

Need to have a rate structure that encourages conservation by all users but also encourages full utilization of recycled and delivered water

Will we consider zones like we did in the first rate setting process – NO

Rate structure needs to be prepared to adapt to changing future considerations like climate change, etc.

Rate structure needs to be fair to all users, agriculture critical to the local economy

Consider ease of implementation to differentiate between water users vs. agency

Public acceptance should be considered its own objective

Does revenue stability include revenue sufficiency? Yes, implied in the whole process

How do we get public feedback in terms of acceptance? There will be community meetings and committee members are encouraged to reach out and solicit feedback

Need to consider what the cut-off would need to be for free water and still pay for all the revenue needs

Next month – first cut of rate structures, overview of agency revenue requirements, preliminary discussion on cost allocation

**6. BMP Program Update:**

**A. Conservation Program** (Kirk Schmidt) – three parallel tracks; 1. Statistical analysis to factor out precipitation and climate changes to determine true conservation in wet and dry years; need to amend the consultant contract to increase the budget; 2. Analysis to determine the number of acres supplied by each well; will be collecting the county agricultural commissioner’s ranch map to understand which parcels are grouped by ranch and served by wells; collecting information on crops by ranch; 3. Public outreach continues;; need to continue discussions regarding encouraging conservation for both groundwater and recycled water

**B. EIR Schedule Update** – comment period ends December 9 (extended from December 2); comments received at Board meeting were all regarding College Lake

**C. Refinancing Opportunities** – Agency could refinance the 1999 Certificate of Participation leading to a savings of \$2M; refinancing hindered by Supreme Court option to review Prop 218 challenge and the Sunset Provision

**Project operations** – delivered 3,980 A/F; City well issues (age, chrome vi, etc.) may lead to being cut off from City connection and connecting to Agency supplemental wells in-lieu of City wells

**7. Future agenda items:**

**8. Upcoming Meetings:**

Committee 2014 meeting schedule distributed

A. Board of Directors Meeting – December 18, 2013

B. Ad Hoc Funding Committee Meeting – December 19, 2013

**10. Adjournment at 4: 58p.m.**