



PAJARO VALLEY WATER MANAGEMENT AGENCY

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Ad-Hoc Funding Committee
January 23, 2014, 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), Chuck Allen, John E. Eiskamp, Paul Faurot, Tom Karn, Stuart Kitayama, John Martinelli, Amy Newell, Steve Palmisano, Dick Piexoto, Stephen Rider

Committee Members Absent: Frank Capurro, Skip Fehr, Bill Lipe

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	Joe De Sante
Warren Koenig	Lidia Gutierrez
Lou Carella	Paul Friedlander
Pierce Rossum	Margie Kay

2. Committee comments: Mary provided an Agency update, which highlighted the recent Supreme Court decision to not review the Appellate Court case, preserving the verdict and keeping it “published.” A short report on the status of the BMP Update & DEIR, including a description of ongoing conservation related activities.

3. Public comments: None

4. Consider approval of minutes from November 21, 2013 meeting: The minutes were approved without objection.

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

A. Pierce delivered a presentation (attached).

- i. Augmentation charge “matrix to score and rank available rate structure objectives” (slide 7).
Kirk Schmidt – stated this discussion is a “time sink”, and that the committee needs to know the costs of the proposed projects and programs. Tiered rates based on irrigated acreage has a lot of good going for it, but it also has many logistical challenges with respect to implementation, but those challenges could be dealt with as part of the program.
Lou Carella – the purpose ranking the matrix is to help focus the effort toward acceptable rate structures and objectives.

John Martinelli – proposes to eliminate *Seasonal/Time of Day* and *Water Budgets* immediately so the committee can focus on what appears to be the two most likely options: *Uniform Rate* and *Tiered Rate*. Further, John Martinelli would like to know more about the challenges of implementing a tiered rate structure.

Chair Cavanaugh – asked the committee if they would like to proceed with John Martinelli’s suggestion to eliminate *Seasonal/Time of Day* and *Water Budgets*, and only consider the options of *Uniform Rate* and *Tiered Rate* moving forward.

A vote was taken: Eleven Committee members voted in favor, one committee member (Dick Piexoto)voted against.

Dick Piexoto – inquired about Land Based Assessments and why that option is not on the table. He stated he’s in favor of a split charge between a land-based assessment and a water rate. In addition, he noted that he has reduced water use by 25% - 30% over the last ten years. Pierce Rossum – Responded that a land based assessment is not a Prop 218 option but is a tax that would likely require voter approval (a water rate service charge requires only a majority protest hearing). In addition, a land based assessment does not encourage conservation.

Stephen Rider – Would like to see rough numbers on a land based assessment scenario.

Pierce Rossum explained weighting options for a land based assessment: one parcel, one vote – or – vote weight based on parcel size. Lou Carella restated that a fatal flaw with a Land Based Assessment is that it doesn’t encourage conservation. Conceptual level numbers of the cost per acre if a land assessment was used to pay for the BMP and Agency activities will be developed for and presented to the Committee.

- ii. One example of sustainable yield allocation was given: no charge for lowest tier and then increasing costs as tiers go up). Review of how this idea was proposed during the previous (2010) AHFC effort.

John E. Eiskamp – some people will be upset because in an overdrafted basin, any amount of water extracted contributes to the problem.

- iii. Delivered Water Rate Structure Matrix (slide 14): Present delivered water charge is a *Uniform Rate* for all times. *Seasonal / Time of Use* could be added as a supplement.

Chair Cavanaugh queried the committee: **All committee members agreed with this approach.**

- iv. Agency Services (slide 27): Kirk Schmidt – It is imperative that conservation be added to the list of services shown on the slide.

- v. Questions / Discussion:

Amy Newell – When is the technical discussion of the tiered rate?

Lou Carella – February. Details of tiered rates and land based assessment will be presented.

Dick Piexoto – Asked about the total cost of the BMP.

Paul Friedlander – Approximately \$60 million for the first phase.

Chair Cavanaugh – Existing debt loan is about \$4 million per year and some of that will expire in the near future.

Kirk Schmidt – Would like a copy of the spreadsheet financial model.

Lou Carella – Will send out an excel file copy of the Agency budget cash flow model produced as part of the draft BMP.

Pierce Rossum – Explained that we are in Phase I which is developing the Cost of Service Methodology, and Phase II is developing the rate with the selected methodology.

6. BMP Program Update:

- A. Mary Bannister provided a brief update on recent activities.

7. Future Agenda Items:

- A. Budget numbers and financial model
- B. Information on Land Based Assessments

8. Meeting schedule for 2014

- A. Continue meeting on the fourth Thursday of each month

9. Upcoming Meetings

- A. PVWMA Board of Directors – February 5, 2014 and February 19, 2014
- B. Ad Hoc funding Committee – February 27, 2014

10. Adjournment at 5:00 p.m.