



## PAJARO VALLEY WATER MANAGEMENT AGENCY

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Ad-Hoc Funding Committee  
March 27, 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 3:00 p.m. by Committee Chair Dave Cavanaugh.

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

Committee Members Absent: None

Staff Members Present: Mary Bannister, General Manager (GM)  
Brian Lockwood, Senior Water Resources Hydrologist (SWRH)  
Teresa Delfino, Administrative Services Manager (ASM)  
Rocio Guerrero, Customer Service Representative (CS)  
Tony Condotti, Agency Council (AC)  
Lauren Valk, Agency Counsel Substitute (ACS)

Others Present: Rosemarie Imazio Lou Carella  
Warren Koenig Pierce Rossum  
Jim Leap Paul Friedlander  
Wayne Norton

2. **Committee Comments:** Mary Bannister updated committee on staff activities.

3. **Public Comments:** None

4. **Consider approval of Minutes from February 27, 2014 meeting with no changes:** The minutes were approved without objection.

#### 5. Uniform Rates Recap

##### a. Approach and Methodology

Lou Carella reviewed the project work plan schedule and gave a recap of last month. Pierce Rossum presented a water model showing tentative numbers allowing users to manipulate variables including number of tiers, grant revenue, and project costs.

##### b. Legal Framework

Tony Condotti reviewed Griffith/Pendry decision noting that it gives us a clear road map for moving forward, only a protest hearing is required. Implementation of tiered rates are more problematic due to the difficulty of equitably distributing costs across tiers

**6. Tiered Rates Discussion:****a. Approach and Methodology**

Lou Carella discussed strategies and assumptions noting the additional expense of gathering acre feet per acre data. Also, tiered rates would not apply to municipal or rural residential customers because they are retailers (they could tier the rates to their customers but PVWMA would not be in a position to know how their well water is distributed). Pierce discussed the assumptions to the interactive tiered rate builder. The top tier of \$410/AF is restricted by Agency Act. Kirk stated that there is a Prop 218 problem, farmers not being treated the same.

John Martinelli said that tiered rates are the only effective way to encourage conservation and with conservation being the corner stone to our Basin Management Plan, in addition to the clear challenges we are going to have developing College lake water, we have to conserve or we will fail in our quest to become sustainable someday. Mary said that tiering has to be fair, not penalizing either the low water users such as apple growers, or the high end users due to particulars of an operation, such as greenhouses. She also mentioned that the staff and legal budget needed to do the analyses now for the rates study, and during implementation after the rates study could potentially require an increase in the Agency budget of ~\$1 million/year (\$500,000 for additional staff/resources, \$500,000 for legal fees in the event of a challenge).

There was discussion about whether the irrigable acreage in an acre foot per acre calculation would include parking lots and paving – it would have a significant impact on some sites (greenhouses) and require detailed analysis of each parcel. The other seemingly insurmountable obstacle is that these kinds of details must be worked out before the Service Charge Report can be done, so before October.

**b. Legal Framework**

Tony reported that case law is unsettled, the problem is different rates for category of user. Rates need to be based on costs to agency to balance ground water. The cost to produce water in the second tier proportionate to price user pays. Tom mentioned that we can't receive funding based on tiered rates. The committee had a lengthy discussion on the difficulties of tiered rates. Dave said that because it's so challenging it is vulnerable. Tony said that we can regulate pumping, but it will likely be challenged. The committee said that it is time to have Richard Shanahan back to provide an update on Proposition 218 legal status.

**7. Basin Management Plan Update:** Mary Bannister reported that the EIR will be going to the board for certification on April 16.

**8. Water Quality & Operations Committee report:** Next month

**9. Upcoming Meetings**

- A. PVWMA Board of Directors – April 16, 2014
- B. Ad Hoc Funding Committee – May 1, 2014

**10. Adjournment at 5:05 p.m.**