



PAJARO VALLEY WATER MANAGEMENT AGENCY

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Ad-Hoc Funding Committee
May 1, 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), Skip Fehr, Paul Faurot, Tom Karn, Stuart Kitayama, John Martinelli, Amy Newell, Steve Palmisano, Dick Piexoto, Stephen Rider, Frank Capurro, John E. Eiskamp

Committee Members Absent: Chuck Allen, 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 Lou Carella Warren Koenig
Pierce Rossum Jim Leap Paul Friedlander
Margie Kay

2. Committee Comments:

None.

3. Public Comments:

Margie Kay noted she's been attending meetings that made recommendations for projects with surface water of the Salinas River water rights permit to halt seawater intrusion.

4. Consider approval of Minutes from March 27, 2014:

The minutes were approved pending clarification of the statement "Tom mentioned that we can't receive funding based on tiered rates," which Tom clarified was a reference to the Agency's ability to obtain long-term funding with a 5-year sunset clause on the rates.

5. Basin Management Plan Update:

Mary reported that the Board certified the EIR and approved the BMP at the April 16, 2014 meeting.

6. Rates Analysis and Next Steps:

Lou delivered a presentation (a copy is available on the agency's website). During a slide recapping the tiered rate discussion of the prior AHFC meeting, the committee engaged in a discussion about tiered rates. Key points discussed include: 1) methods of implementing tiered rates; 2) legal considerations (here Pierce noted that a decade ago Proposition 218 didn't apply to water or

wastewater at all, however, the Bighorn Case changed that); and 3) Additional staffing needs should a tiered rate structure be determined. During the presentation Skip noted that the San Andreas Water Mutual Company's customers average 0.3 acre-feet per connection, and could a lower tier be applied for their case. Brian noted that during last month's meeting we discussed the municipalities would be subject to a different rate structure. The question as to what rate structure a Water Mutual might be subject to was left unanswered. Discussion also centered on the questions of whether the agency could pay to fallow land and whether the agency could use ordinances to limit groundwater pumping. Lauren stated that a land fallowing program could be included as a component of the larger BMP conservation program, and that while an ordinance could be passed by the board to limit groundwater pumping, it is unclear how it would be implemented and what the legal ramifications would be. Back to the discussion of tiered rates: Amy asked how the Agency would justify the use of the tiers, i.e. how would the cost of service be justified between the different tiers. Pierce noted that tiers are presently being challenged against some municipalities that deliver potable water, meaning that produce, treat, and deliver the water to the house. In our case, agricultural wells are installed by landowners and they use their own plumbing to convey the water. The San Juan Capistrano court case was discussed as an example.

7. Consider selection of rate alternative for further development

Lou stated that the time has come to consider the selection of a rate alternative. The staff / team recommendation is to select a uniform rate structure due to the risks of implementing a tiered rate structure before the legal issues are resolved. Kirk S. noted that there are no more steps to take [in the process] until a rate structure is selected. John M. stated that he is throwing in the towel on tiered rates and that if the discussion is continuing on his behalf, he appreciates it. John M. continued by saying the Pajaro Valley doesn't have the time and money to take a tiered rate case to court. John M. would like the record to clearly reflect that we are between a rock and a hard place, and that the committee looked at tiered rates in detail. John M. concluded by saying that while he is going to vote in favor of a uniform rate structure at this time, he is still interested in pursuing a tiered rate structure in the future. Steve P. noted that he appreciates John M.'s position and appreciates hearing John M.'s candid thoughts on the subject. **Steve P. makes a motion to move forward with a uniform rate. Amy N. seconded the motion.** Stephen R. proposed to amend the motion by requiring that within 18 months the agency has a formal plan in place to explore the possibility of tiered rates in the future, through a staff person dedicated to this cause. Skip F. seconded Stephen's motion. Kirk noted that the committee can only make a recommendation to the board and the board has the ultimate final say. Stuart K. noted that the most important thing is to get a rate in place to fund the BMP and solve the water resource problems of the Valley. Stuart prefers a uniform rate. Lauren recommended the committee split these two decisions and have one vote on whether to proceed with uniform or tiered rates, and then vote on whether or not to formally fund the agency to study the possibility of tiered rates through a full time or part time person. Stephen rescinded his motion so the vote on the rate structure could proceed.

Allen – Not Present
 Capurro – Not Present
 Cavanaugh – Y
 Eiskamp – N
 Faurot – Y

Fehr – N
 Karn – Y
 Kitayama – Y
 Lipe – Not Present
 Martinelli – Y

Newell – Y
 Palmisano – Y
 Piexoto – N
 Rider – N
 Schmidt – N

Vote passes 7 to 5 with three committee members not present.

Stephen makes a motion **that the committee advise the Board of Directors that within 18 months the Agency must have a formal plan that includes staff allocation such that the next time a committee is formed to assess rates, technical questions regarding tiered rates can be answered. Skip F. seconded the motion.**

Allen – Not Present	Fehr – Y	Newell – Y
Capurro – Not Present	Karn – Y	Palmisano – Y
Cavanaugh – Y	Kitayama – Y	Piexoto – Y
Eiskamp – Y	Lipe – Not Present	Rider – Y
Faurot – Y	Martinelli – Y	Schmidt – Y

Vote passes 12 to 0 with three committee members not present.

Lou stated that considering the split on the vote, is there more information the team could come back to the committee with. John M. stated that he voted for uniform rates in part because he doesn't want to see the agency need to take on more lawsuits. Steve P. concurred. Kirk S. noted that as a designated representative of the SC Farm Bureau he could not vote in favor of uniform rates as that is against what the Farm Bureau supports. It was agreed that the agency will consider rates again in five years and that tiered rates will certainly be considered again at that time.

Lou completed his presentation by discussing Next Steps. Carollo Engineers will bring a draft of the Phase I – Rate Setting Methodology technical memorandum. A cost recovery workshop will be held with the Board of Directors. Initiation of Phase II of the cost of service study will commence.

8. Water Quality & Operations Committee report

Brian summarized why this item is on the agenda and reported on recent discussions at the Water Quality and Project Operations committee. In particular, delivered water enhancement projects such as additional storage of recycled water and plumbing the blend wells in such a way as to improve delivered water quality was discussed. Kirk S. noted about recent State Water Resources Control Board activities and in particular their use of the term “agronomic rate” and how their proposed plan could affect both agriculture and the agency’s ability to deliver recycled water.

9. Future Agenda Items

10. Upcoming Meetings

- A. PVWMA Board of Directors – May 21, 2014
- B. Ad Hoc Funding Committee – May 22, 2014
- C. Water Quality and Project Operations Committee – May 28, 2014

11. Adjournment at 4:50 p.m.