



**PAJARO VALLEY WATER MANAGEMENT
AGENCY**

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**Board of Directors Meeting
July 23, 2014, 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 7:09 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, Persoff, Lynn, Newell, Faurot

Board Members Absent: Cavanaugh, Zamora

Staff Members Present: Mary Bannister, General Manager (GM)
Brian Lockwood, Sr. Water Resources Hydrologist (SWRH)
Chuy Martinez, Sr. Water Systems Operator (SWSO)
Teresa Delfino, Administrative Services Manager (ASM)
Laura R. Taay, Administrative Analyst/Board Secretary (AA)
Others Present: Lauren Valk, Assistant Agency Counsel (AAC)
3. **Pledge of Allegiance**
4. **Oral Communications:** None.
5. **Director Comments:** Director Persoff attended several Monterey County study meetings pertaining to the proposed desalination plant at Moss Landing. He also attended the Aromas Water District Board Meeting where the Proposed Rate increase was presented and passed. Only 6 protest statements were submitted.
6. **Counsel Report:** No report.
7. **General Manager Report:** Reminded Director's Lynn, Newell and Faurot of upcoming board elections and if they were interested in running for another term, the deadline file date is August 8. For appointed Director's, letters to the City of Watsonville, Monterey County and Santa Cruz County will be sent soon. Elected officials are 4 year terms and appointed officials are 2 year terms.

There has been a lot of drought/conservation out reach. GM recently met with the Soroptimist, and will be speaking with the San Lorenzo Valley Rotary on August 6 and SWRH will be taking a tour with the Freedom Rotary on August 26 of the Watsonville Recycle Center.

GM and SWRH met with Professor Brent Haddad, UCSC Center for Integrated Water Research. Professor Haddad is working with a group of Grad Students, at the water recycle center, on different pilot programs with Tertiary Treatment, Advanced Tertiary Treatment, Pilot units, Desalination and other type of advanced treatment facilities for pilot testing.

The group is looking for funding and would like to partner with PVWMA. We will try and obtain a grant with the WaterReuse Association who currently has a pot of money available for agencies interested in doing research projects just as these. Currently working on a Financial Advisor RFP will go out early week of July 28, 2014. Once we get the Financial Advisor in place we will solicit for Bond Counsel and Underwriter.

8. Consent Agenda

- A. Approved June 18, 2014 Minutes
- B. Approved Financial Reports for June 2014

Action: Director Persoff moved to approve the Consent Agenda; seconded by Director Lynn.

Motion carried by the following voice vote:

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

9. Discussion and/or Action Items

A. Received Update on State Drought Response Actions

January 17, 2014 the Governor declared a Drought Emergency due to a third year of historical low rainfall. Since that time, the state has been increasingly active in attempting to encourage conservation and develop legal authority to manage and control water resources, especially related to groundwater pumping. In response, the State Water Resources Control Board (State Water Board) on July 15 approved **Resolution No. 2014-0038, To Adopt an Emergency Regulation for Statewide Urban Water Conservation and Article X, Proposed Text of Emergency Regulations**. The resolution calls upon water suppliers to take actions to educate customers and employees about the drought situation and conservation and to increase local water supplies. The regulations enacted (which will remain in effect for 270 days) prohibit certain activities of all water users in order to promote water conservation. They also require water suppliers to take certain mandatory actions.

Nothing in the regulations or in the enforcement provisions of the regulations preclude a local agency from exercising its authority to adopt more stringent conservation measures and local agencies retain their enforcement discretion in enforcing the regulations, to the extent authorized.

The regulations could go in effect as early as Aug. 1, depending on when they are approved by the Office of Administrative Law.

Additionally, the state has been conducting public meetings to solicit input on proposed enhanced groundwater management legislation to be considered in SB 1168 (Pavley) and AB 1739 (Dickinson), which pertain to sustainable groundwater management.

These two rapidly moving bills are aimed at advancing sustainable management of groundwater basins in the state. The bills moved out of Senate and Assembly policy committees on June 24 and must be passed and sent to the governor by the end of August.

Action: No Board Action Required

B. Received presentation on Pajaro River Watershed Emergency Drought Program Grant Application

In an effort to support drought relief, the state has directed the Department of Water Resources (DWR) to expedite \$200 million in grant funding through the Integrated Regional Water Management (IRWM) program to support projects that provide drought relief and improve water supply reliability. Earlier this week the Pajaro River Watershed IRWM Region submitted a grant proposal in the amount of \$12,261,898 to fund four projects within the watershed, including \$3,556,000 for PVMWA's "Project No. 1, Delivered Water Enhancement and Drought Response Irrigation Project."

In May, a contract was approved with Gutierrez Consultants to prepare a grant application for the region, with PVWMA as the lead agency. The Pajaro River Watershed IRWM Region conducted a call for projects to provide drought relief.

Five projects were submitted for consideration. The projects were vetted through the process established by the region's IRWM Plan and compared against the funding criteria. Based on the review, the following four projects are recommended for inclusion in the Pajaro River Watershed IRWM Grant application:

- Delivered Water Enhancement and Drought Response Irrigation Program (PVWMA)
- Expanded Recycled Water Use Project (SBCWD)
- South County Recycled Water Improvements (SCVWD)
- Corralitos Creek Water Supply and Fisheries Enhancement (Watsonville)

The award announcement is expected in September or October of this year.

If awarded, a detail project plan will have to be completed within 30 days of being announced of award and then we will be moving to finalize engineering designs and specifications by the end of summer. In February 2015 the board will be asked to authorize staff to go out to bid and award a construction contract before April 1, 2015.

Action: No Board Action Required

10. A. Consider approval of no cost contract extension through June 2015 with 2nd Nature for preparation of a Salt and Nutrient Management Plan

In May 2011, the Pajaro River Watershed Integrated Regional Water Management (IRWM) group was awarded a \$1 million planning grant by the Department of Water Resources (DWR). The grant funded approximately \$100,000 or roughly half of the estimated costs of Salt and Nutrient Management Plan work for the Pajaro Valley Water Management Agency (PVWMA). The PVWMA Board is being asked to approve a no cost extension to the agreement with 2nd Nature.

In 2011, staff spent several months developing an approach and examining alternatives to accomplish this work in the most efficient and cost effective manner. It was ultimately decided to facilitate stakeholder meetings and develop the plan using staff resources in conjunction with team of local consultants familiar with the Pajaro Valley groundwater basin. 2ND Nature, located in Santa Cruz, CA, was selected as the lead consultant charged with developing the plan. Consulting Agronomist Belinda Platts, has helped to develop datasets and provide expert technical review.

A significant amount of work on developing the Pajaro Valley Salt and Nutrient Management Plan has been completed, however, more work remains. The development of the Plan has been

delayed for numerous reasons: 1) staff and consultants were awaiting direction from the Regional Board on how to develop the Assimilative Capacity and Anti-Degradation sections, 2) Some key stakeholders requested that staff hold off on developing the plan until after the Basin Management Plan (BMP) Update and Environmental Impact Report (EIR) were complete, and 3) staff resources were directed to the BMP and EIR development, other grant opportunities, and other tasks in general.

A no cost extension will allow staff to continue working with 2nd Nature to complete the development of the Plan in a timely manner.

Action: Director Newell moved to approve a no cost time extension through June 2015 with 2nd Nature for preparation of a Salt and Nutrient Plan; Seconded by Director Lynn

Motion carried by the following voice vote:

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

B. Consider options for Collection Policy Guidelines

The agency has recently increased efforts to collect outstanding augmentation charges from customers. Currently, our balances over 120 days are less than \$350,000. \$36,000 is from rural residential accounts. In 2010 the rural residential past due accounts were sent to a credit agency. The remaining balances are from 44 customers. Half are making regular payments. Of the remainder, six are not paying, and not responsive. Several accounts are from balances that are more than 3 years old.

Staff would like guidance from the Board and some authority to negotiate past due accounts. Possible guidelines are as follows:

1. Up to 25% of interest may be written off by the General Manager on past due accounts of amounts less than \$10,000 if the customer is willing to pay in full (or arrange a payment plan) and stays current
2. Accounts greater than \$10,000 and over 1 year in arrears may be sent to counsel for collection action
3. Accounts over 3 (or 5) years old and in amounts less than \$5,000 may be written off after an earnest attempt to collect by staff
4. Consideration of rural residential customer challenges, especially where one well owner is supplying several homeowners and unable to collect from them

Resolution 2009-09 amended Policies and Procedures for Collection of Augmentation Charges and is attached. Article 11 of the Agency's Act also lists remedies.

Action: Director Newell moved to direct staff to return to August Board Meeting with amendments to the Collections Policy Guidelines as summarized in tonight's discussion ; Seconded by Director Faurot.

Motion carried by the following voice vote:

AYES: Imazio, Persoff, Lynn, Newell, Faurot

NOES: None
ABSENT: Cavanaugh, Zamora
ABSTAIN: None

C. Discuss July 17 Recommendations of Ad Hoc Funding Committee

The Ad Hoc Funding Committee (AHFC) was created by the Board in spring of 2013 to develop a recommendation for funding the Agency when the current rates structure sunsets in October 2015.

The 15 member committee first met in June 2013 and in July they recommended that the Board select the Uniform Rate Alternative and direct staff to proceed with Phase II of rate re-establishment process. With the actions of the AHFC at last week's meeting, their purpose is nearly fulfilled. They will meet again in September to receive a presentation on the Draft Service Charge Report and will be available should the Board wish to have additional rates options analyzed.

The three actions taken at the July AHFC meeting were to:

1. Select Approach #4 – Rate Smoothing & Increased Inside DWZ Allocation for recommendation to the Board (to be presented at August 20, 2014 Board Meeting)
2. Recommend the Board consider rescinding the rates sunset ordinance (Ordinance 2010-04) that would have current rates expire September 30, 2015
3. Recommend the Board request the Water Quality and Operations (WQ & Ops) Committee consider the options for time-of-use rates pricing for delivered water.

With the sunset clause in place, obtaining financing for capital projects is nearly impossible due to the perceived risk to lenders of the potential loss of the agency's revenue stream. This has affected our ability to refinance the 1999 Certificates of Participation (COP's) as well as our ability to qualify for the drought emergency 1% State Revolving Fund (SRF) program loans that have been offered to us. Committee members suggested that, with a clear explanation of the cost savings available through refunding the COP's and obtaining 1% SRF loans, the community would support rescinding Ordinance 2010-04. A draft ordinance will be brought back to the August Board meetings for consideration, along with an analysis of the possible cost savings.

In regards to the Time –of-Use Delivered Water Rates the committee suggested that the Board consider having the Water Quality and Project Operations Committee (WQ&OPS) take up the task of specific time of use details. The WQ&OPS committee has a number of delivered water customers who are familiar with the technical issues that are involved.

Action: Director Newell moved to adopt the recommendations of the AD-Hoc Funding Committee to move forward towards a goal of eliminating our sunset clause on the 2010 rates and that we delegate the issue of adjusting delivered water rates according to times of use and date of use to the Water Quality and Project Operations Committee; Seconded by Director Persoff

Motion carried by the following voice vote:

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

10. Monthly Reports/Presentations

A. Facility Operations Report

1. Received 2013 Supplemental Water Production Monthly Summary
SWSO gave a summary of the challenges with in the last month delivering recycled water, blended recycle or supplemental supply due to having very little storage.

B. Board Committee Reports available www.pvwater.org

C. Drought Response and Conservation Update

D. Public Outreach Update

Consultant Marcus Mendiola gave an update on his efforts and visiting local restaurants and business. He gave out water conservation literature and stickers. The 2010 hotel conservation literature will be updated.

11. Written Communication/Correspondences

12. Future Meetings

A. Administrative/Finance Committee- August 12, 2014, 12:30-2:30p.m.

PVWMA Conference Room, 36 Brennan Street, Watsonville

B. Board of Directors — August 20, 2014, 7:00 p.m., City Council Chambers, 275 Main Street, Fourth Floor, Watsonville, CA.

C. Ad Hoc Funding Committee (AHFC)- **CANCELLED** August 28, 2014, 3:00 p.m. – 5:00 p.m., City of Watsonville Water Resources Center, 500 Clearwater Lane, Conference Room, Watsonville – **Next meeting will be Thursday, September 25**

D. Water Quality and Project Operations – August 27, 2014, 3:00 p.m., City of Watsonville Water Resources Center, 500 Clearwater Lane, Conference Room, Watsonville (This meeting was advised of, at board meeting, by SWRH)


13. Future Agenda Items -

1. Collection Policy Guidelines – For August meeting staff to come back with amended policy
2. Ad Hoc Funding Committee – For August meeting staff to do groundwork for rescinding Ordinance 2010-04

Adjourned at 8:55 p.m.



Laura R. Taay, Administrative Analyst



Date Approved