



PAJARO VALLEY WATER MANAGEMENT AGENCY

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Board of Directors Meeting
May 16, 2012, 7:00 p.m.

City Council Chambers
275 Main Street, 4th Floor
Watsonville, CA 95076

BOARD MEETING MINUTES

1. Call to Order

2. **Roll Call of the PVWMA Directors and Pledge of Allegiance:** The Regular Board Meeting of Pajaro Valley Water Management Agency was called to order in the City Council Chambers, 275 Main Street, 4th Floor, Watsonville, CA, at 7:07 p.m. by Chair Imazio.

Board Members Present: Imazio, Cavanaugh, Persoff, Lynn.

Board Members Absent: Eiskamp, Osmer, Vasquez.

Staff Members Present: Mary Bannister, General Manager (GM)
Brian Lockwood, Staff Hydrologist (SH)
Michelle Cho, Temporary Administrative Assistant (TAA)
Others Present: Anthony Condotti (Agency Counsel)

3. Pledge of Allegiance

4. **Oral Communications:** None.

5. **Director Comments:** Director Cavanaugh mentioned that he and GM attended a meeting with the Pajaro Valley Community Water Dialogue Group on Tuesday, May 16, 2012. A demonstration was held on state-of-the-art wireless monitoring systems, and the functioning aquifer storage and recovery (ASR) recharge system. He was impressed by what he heard about conservation and recharge opportunities, and that young people were engaging in trying to find solutions for the community. The process by which they have built a consensus, that they are knowledgeable with current data and technology, and they engaged in these projects because they are genuinely interested in helping the community, impressed him. He stated he has renewed hope the Board can find solutions through the younger generation.

Chair Imazio commented that she attended an Association of California Water Agencies (ACWA) conference in Monterey last Thursday, May 10, 2012. She met with representatives of the Bureau of Reclamation where everyone had congratulated Pajaro Valley Water Management Agency for achieving the \$4 million dollar award for the Title XVI/WaterSMART grant.

6. **Counsel Report:** Counsel reported that the California Supreme Court denied the petition for review in the Eiskamp case and also rejected the request that had been submitted by others for depublication of the case. A remitter was received. He stated the Eiskamp case affirms the validity of the stipulated judgment the Agency entered into in 2009, following the adverse Court of Appeal decision of the Ray Amrhein case. Under the judgment, there was a provision that stated all remaining augmentation charge ordinances, which included the 2008 \$80 augmentation charge and management fee, remained intact and therefore were not subject to further challenge. This was in addition to the stipulation that the Agency paid over \$11 million dollars in refunds and \$1.4 million dollars in attorney's fees to the plaintiffs. Several plaintiffs of the Amrhein case submitted letters to the Supreme Court asking for depublication. The Eiskamp case is a published Appellate Court decision and is now a precedent that can be cited in the Pendry case. As of

present, the Pendry and Griffith cases, regarding augmentation charges and management fees, are now pending in the Court of Appeal. Harold Griffith filed a notice of appeal within a couple of weeks after the judgment was entered, and Bob Johnson, on behalf of the Pendry plaintiffs, took the whole 60 days to file the Notice of Appeal. Right now these cases are on two different tracks, with Griffith slightly ahead of Pendry. The Griffith case has now been certified by the Court of Appeal. In addition, a briefing schedule is set. Counsel expects a decision may be made by the Court of Appeal by early 2013.

- 7. General Manager Report:** GM stated she is sorry to report that Howard Mauthe passed away. He was 96 years old, a radiologist, and served two terms as a director of the Agency between 1993-2000. She commended him for his work toward developing water solutions in the valley.

GM mentioned that she and Chair Imazio met with representatives of the Bureau of Reclamation at the ACWA conference in Monterey.

8. Consent Agenda

A. Approve April 18, 2012 Minutes.

B. Approve Financial Reports for April 2012, and March 2012 Accounts Payables.

GM mentioned that copies of the March 2012 Accounts Payables report have been handed out at the Board meeting this evening. She explained a discrepancy had occurred in the way the report was run, and checks were not committed. The issue has since been corrected, and the payables are up-to-date.

C. Receive update on Preliminary Budget for 2012-13 Fiscal Year.

The public hearing and adoption of the fiscal year 2012-2013 budget are scheduled for June 20, 2012.

Action: Director Cavanaugh moved approval of the Consent Agenda; seconded by Director Lynn. Motion carried by the following voice vote:

AYES: Imazio, Cavanaugh, Persoff, Lynn.

NOES: None.

ABSENT: Eiskamp, Osmer, Vasquez.

ABSTAIN: None.

9. Discussion and/or Action Items

- A. Consider Approval of Award in the amount of \$88,890 to Magiorra Brothers drilling for installation of three extraction wells at the Harkins Slough Project Recharge Basin: GM explained this project came out of an AB303 grant which the Agency was awarded, and that SH previously recommended to the Board that additional wells be constructed in a different strata than the original Harkins Slough extraction wells were constructed. Engineers estimated the cost to drill two wells would be about \$100,000. The Agency received two bids: one from Magiorra Brothers, a local drilling firm, and the other bid from a firm based in Fresno. The higher bid was around \$100,000 for the two wells, while the lowest bid, from Magiorra Brothers, came to around half that amount. In negotiations with Magiorra, SH, and Martin Feeney (technical advisor), the Agency thought it would be the best use of funds to have the drillers install a third well, which is still below the engineer's original estimate. Staff recommended the Board award the bid to Magiorra Brothers, and to allow staff to execute contract documents to bring them under contract for \$88,890, with an additional 10% change order authorization.

Chair Imazio mentioned the Magiorra bid was presented at the Admin/Finance Committee meeting, and the Committee recommended approval of the award.

SH explained the total cost for constructing the wells is \$88,890. However, staff does not yet have an estimate for appurtenances and for plumbing the wells into the system. If the Board were to approve

the bid, staff will be working with Magiorra Brothers to install three wells, one at a time and as the budget allows, before the end of June.

Action: Director Cavanaugh moved approval of the contract and award for \$88,890 to Magiorra Brothers; seconded by Director Persoff. Motion carried by the following voice vote:

AYES: Imazio, Cavanaugh, Persoff, Lynn.
NOES: None.
ABSENT: Eiskamp, Osmer, Vasquez.
ABSTAIN: None.

- B. Consider Approval of Resolution 2012-05 Ordering an Election and Requesting Monterey, San Benito and Santa Cruz Counties to Conduct an Election, and Requesting Consolidation of the Election: GM explained that seats for Director Eiskamp, for Division D, and Director Persoff, for Division B, are set to expire this December. Costs to the Agency, for the election, are estimated at \$51,695. Staff recommended the Board approve Resolution 2012-05, which would authorize the Agency to move forward with the election process.

Action: Director Cavanaugh moved approval of Resolution 2012-05; seconded by Director Persoff. Motion carried by the following voice vote:

AYES: Imazio, Cavanaugh, Persoff, Lynn.
NOES: None.
ABSENT: Eiskamp, Osmer, Vasquez.
ABSTAIN: None.

- C. Discuss Options for Application of \$4 Million WaterSMART/Title XVI Grant Award: GM provided a history on how these funds are and can be applied, and how the Agency's debt to the City of Watsonville is structured. The Agency is expecting to receive funding within the next several months. She mentioned the budget may be amended next month as the Agency receives grant funding and apply these changes to the final budget for adoption by the Board at the next meeting. A portion of the grant funds could be applied to the Agency's annual debt service payment to the City of Watsonville. Another portion of the WaterSMART grant funds could be allocated into reserves.

GM mentioned she spoke with the Agency's auditor reviewing the debt to the City of Watsonville, and was informed that they are nearly complete with that audit. The final report will be presented at the Board meeting next month.

Director Cavanaugh expressed concern and asked Agency Counsel for clarification on page 67 of the Board packet, which states, "Under this agreement, all Title XVI funding would come directly to the City. Any reimbursements equal to or less than \$2 million would be used to pay down the principal cost of the project. Any reimbursements over \$2 million would be applied towards the PVWMA's annual payment to the City. GM responded and stated that the Agency's annual reimbursements range between \$0 to \$4 million, and she is not sure why \$4 million was a cap, but that annually, no single project would receive more than \$4 million under Title XVI.

GM explained the City of Watsonville has prepared an amortization schedule based on the \$27 million dollar bond they sold to fund the project. The debt the Agency owes to the City is \$1.3 million per year, which has been adjusted based on grants the Agency received and grants the City received.

GM suggested the Board consider offsetting some of the Agency's debt services this year with grant proceeds.

GM mentioned that, in April, Director Osmer noticed a discrepancy in the preliminary budget in the Operations and Management costs shown for the 2012-2013FY, which appeared to be the same as it was in the previous fiscal year. GM clarified this was an error. She explained the costs for O&M last year were \$1.2 million dollars, and the O&M should have projected \$1.7 million this coming year. Thus, there was a \$700,000 additional cost that was not identified in the preliminary budget. Applying some of the Title XVI/WaterSMART funding towards debt service may be required to balance the budget for Fiscal Year 2012-2013. GM will present more information to the Board next month.

10. Reports/Informational Presentation

A. Project Operations Report

1. Receive 2012 Project Delivery Updates: GM mentioned that copies of the “Eiskamp Report” (Production Monthly Summary 2012) were handed out this evening. GM reported that 750 acre-feet of water was delivered. She mentioned that staff reported that demand was high, and customers were pleased with the quality of water and were signing up to take more water than they had in the past.

Public comment:

Warren Koenig asked why the Agency is using blend wells more than usual.

GM explained the Agency is using more blend wells because the recycling plant was down for maintenance in early Spring. However, now the goal is to run 75% recycled water and 25% blended water, proportions which are governed by Total Dissolved Solids (TDS).

2. Receive Harkins Slough Project Updates: GM reported on the Harkins Slough Project. GM reported the Board of Supervisors has not yet agendized the Agency’s request to get authorization to reimburse their maintenance costs incurred at the pump station.

GM mentioned that Supervisor Pirie assembled a meeting with Chair Imazio, GM, Director Osmer, Dale Huss, an attorney, and a number of individuals from Pajaro Dunes to discuss the overall impact of the Beach Road flooding that occurred back in January 2012. GM stated the County appears to be taking the problem seriously, and it may develop a stakeholder group to get permits modified to allow earlier breaching of the Pajaro River mouth.

B. Board Committee Reports

1. Administrative/Finance Committee — covered in Consent Agenda.
2. Ad Hoc BMP Committee — GM reported on the May 3, 2012 meeting.

Director Cavanaugh commented that the next meeting on June 7, 2012, will be critical in that the Committee will be assessing and finalizing the details of their conservation program and outreach efforts before presenting their decision to the Board.

11. **Written Communication/Correspondences**: The April – May 2012 Chron were included in the board packet.

12. Future Meetings and Agenda Items

- A. Water Quality Project Operations Committee — May 23, 2012, 3:00 p.m. – 4:00 p.m., PVWMA Conference Room, 36 Brennan Street, Watsonville, CA.
- B. Ad Hoc Basin Management Plan (AHBMP) Brown Bag — May 24, 2012, 12:00 p.m. – 1:30 p.m., PVWMA Conference Room, 36 Brennan Street, Watsonville, CA.
- C. Ad Hoc Basin Management Plan (AHBMP) Committee — June 7, 2012, 1:30 p.m. – 4:30 p.m., UC AG Extension.
- D. Administrative/Finance Committee — June 12, 2012, 12:30 p.m. – 1:30 p.m., PVWMA Conference Room, 36 Brennan Street, Watsonville, CA.

E. Board of Directors — June 20, 2012, 7:00 p.m., City Council Chambers, 275 Main Street, Fourth Floor, Watsonville, CA.

13. Future Agenda Items. GM stated the final budget and final audit of last fiscal year will be presented to the Board at the next meeting.

14. Adjourned at 8:14 p.m.

Michelle Cho, Acting Administrative Assistant

Date Approved