



**JOINT MEETING OF THE
FORT ORD REUSE AUTHORITY AND
MARINA COAST WATER DISTRICT
BOARDS OF DIRECTORS**

**3:00–3:30 PM, Friday, June 10, 2011
Carpenters Union Hall * 910 2nd Avenue * Marina, CA 93933**

MINUTES

1. Call to Order and Roll Call of Both Boards

FORA Chair, Supervisor Dave Potter called the meeting to order at 3:00 p.m. on June 10, 2011.

Fort Ord Reuse Authority Board of Directors:

Voting members present (Quorum present at call to order)

Chair/Supervisor Potter (County of Monterey)
1st Vice Chair/Mayor Edelen (City of Del Rey Oaks)
Mayor Pendergrass (City of Sand City)
Mayor Pro-Tem Kampe (City of Pacific Grove)
Supervisor Parker (County of Monterey)
2nd Vice Chair/Mayor Pro-Tem O'Connell (City of Marina)
Mayor McCloud (City of Carmel-by-the-Sea)
Councilmember Selfridge (City of Monterey)
Councilmember Oglesby (City of Seaside)

Arriving after the roll: Councilmember Brown (City of Marina), Jim Cook (County of Monterey), Mayor Bachofner (City of Seaside)

Absent: Councilmember Barrera (City of Salinas).

Ex-Officio members present:

Dr. Margon (University of California Santa Cruz ("UCSC"))
Kevin Saunders (California State University Monterey Bay ("CSUMB"))
Bill Collins (Base Realignment and Closure ("BRAC"))
Director Ken Nishi (Marina Coast Water District ("MCWD"))

Arriving after the roll: Pamela Von Ness (United States Army), at 3:30 p.m., - Debbie Hale (Transportation Agency for Monterey County ("TAMC")), Hunter Harvath (Monterey Salinas Transit), Dr. Doug Garrison (Monterey Peninsula College ("MPC")), Dan Albert, Jr., (Monterey Peninsula Unified School District), Alec Arago (17th Congressional District).

Absent: Representation from the 15th State Senate District and 27th State Assembly District.

Marina Coast Water District Board Members Present:

Dan Burns – Vice President
Howard Gustafson
Ken Nishi – Director
Jan Shriner

Absent: Bill Lee – President

2. Pledge of Allegiance

FORA Chair Potter asked MCWD Director Gustafson to lead the Pledge of Allegiance.

3. Acknowledgements

There were no acknowledgements made.

4. Public Comment Period

Ms. LeVonne Stone, Fort Ord Environmental Justice Network, reminded the Marina Coast Water District Board members that there was a past agreement with the Monterey County Court concerning the people of Preston Park and other housing areas in Fort Ord. She added that the agreement was to have those areas voted into the District's jurisdiction thus allowing them a voice on the Board in the decision making process. Ms. Stone stated that as of this day, these items have not been rectified and she would like to know what is being done.

5. Old Business - None.

6. New Business

- a. Ord Community and Marina Water/Wastewater Systems Proposed Budget and Rates for FY 2011-2012:

- (1) Presentation by Marina Coast Water District

Ms. Kelly Cadiente, MCWD Director of Administrative Services, gave a PowerPoint presentation (copy attached) regarding the proposed fiscal year 2011/2012 operating and capital budgets for the water, recycled water and wastewater collection systems, and corresponding customer rates for water and wastewater collection systems for the Ord Community.

2nd Vice Chair/Mayor Pro-Tem O'Connell questioned why the sewer rates in Ord Community were higher than Central Marina. Ms. Cadiente answered that the rate has to support a large, aged system, compared to the number of connections. 2nd Vice Chair/Mayor Pro-Tem O'Connell asked if the District looked into a different rate between residential and commercial so as to reduce the rate of residential. Ms. Cadiente answered that she would have to research that and provide an answer later. Mayor Pro-Tem O'Connell asked if the Ord Community water rates were slightly higher for the similar reason of not as many connections. Ms. Cadiente answered affirmatively. MCWD Director Gustafson commented that CSUMB receives a 25% discount that needs to be absorbed by the other ratepayers and that no other entity receives discounts. Kevin Saunders commented that CSUMB receives a 25% discount on connection fees only, not water or sewer rates.

Supervisor Parker commented that on page 11 of the proposed budget, Exhibit W-4, the breakpoint for tiers was a lot higher for MCWD than other agencies. She asked if the District had looked into updating the tier breakpoints to improve conservation. Chair Potter informed the Directors and the public that Mr. Heitzman was caught in traffic and would answer the question when he arrived.

Mayor McCloud asked if the protests were due today. Ms. Cadiente answered affirmatively. Mayor McCloud commented that about 25% of the ratepayers protested and asked if the District was concerned with that response. She also asked if Attorney Bowden (FORA counsel) approved of the Resolutions that would be voted on. Mr. Bowden answered affirmatively.

Mayor McCloud commented that she would have liked the presentation to show an indication of the expenses involved on how the District is justifying the increase.

Mr. Jim Heitzman, MCWD General Manager, and Mr. Lowrey, MCWD Legal Counsel, arrived at 3:17 p.m.

Mayor Pro-Tem Kampe asked what the expense drivers were that caused the increase in rates. Mr. Heitzman answered that the cost of power and labor were some factors in the increase. Mayor Pro-Tem Kampe commented that he would have liked to see a narrative summary that showed what is pushing the rates up 4.9%. Ms. Cadiente pointed out that Exhibits W-1 and WW-1 show the proposed expenses. Mayor Pro-Tem Kampe asked how the 4.9% compare to the other cost centers that are also getting rate adjustments. Ms. Cadiente answered that all cost centers are getting a proposed increase of 4.9%, to include the Central Marina cost centers. Mayor Pro-Tem Kampe then asked if the cost centers had an allocation of common expenses and asked what the allocation process was for determining a fair allocation. Ms. Cadiente stated the allocations were based on the previous audited fiscal year's expenditures.

Mayor McCloud clarified that the District is proposing a 4.9% increase next year. Ms. Cadiente answered that it was a proposed 5% increase.

Supervisor Parker reiterated her earlier question of the breakpoint for tiers and asked if the Board had talked about updating the trigger points to be more in line with other areas of the community to encourage conservation. Mr. Heitzman commented that Cal Am has five tiers and is more aggressive. He added that the District takes what an average household uses and tries not to be punitive to that group. Mr. Heitzman said that as the usage rises, it is more punitive to those higher users. He added that the District has had discussion on adjusting the tiers to increase conservation, but that would increase the rates on the small households and the Board decided not to do that at this time. Mr. Carl Niizawa, Deputy General Manager/District Engineer, commented that adjusting the tiers would cause higher rates to people that are supplied by a master meter and many of those people are of lower income living in apartments and mobile homes. Supervisor Parker noted that the lowest tier in Cal Am starts at 40 and the Districts lowest tier is 800 and Seaside is 400. Mr. Heitzman said that there may be a difference in how the units are calculated and that he would research further.

MCWD Director Nishi commented that the Marina Coast Water District started billing by tiers to promote conservation before any other agency on the Peninsula. He stated that the District and Cal Am tiers are not "apples to apples" comparison. Director Nishi said he believed that Cal Am is conditioning their ratepayers to be prepared if the Cease and Desist Order (CDO) kicks in, and if the CDO doesn't kick in, the new rates for the Regional Desalinated Water would be astronomically high. He stated that he did not think it is fair to compare MCWD to Cal Am.

1st Vice Chair/Mayor Edelen commented that page 7 of the packet, Exhibit W-1, shows interest expenses almost doubling from the current budget and asked what the anticipated increase for the interest was attributed. Ms. Cadiente answered that it was debt service interest for the 2006 Bonds. Mr. Heitzman said the 2006 Bonds were for Capital Improvements and asked Mr. Niizawa to elaborate. Mr. Niizawa answered that when the District took over the Ord Community, they took over a comprehensive Capital Improvement Program to improve the Ord system infrastructure which creates the debt service. Mayor McCloud asked if the District has taken on more debt over the course of the last year. Mr. Niizawa answered that the General Jim Moore Blvd., project was recently completed and the District was substantially financially involved in that project.

(2) Public Hearing – Proposition 218 Notice:

Chair Potter opened the Public Hearing at 3:31 p.m.

Ms. Paula Pelot, Preston/Abrams Park Tenant Association, said that with the proposed two-year increase, the cost for an average family's water and wastewater usage had increased by 156% since 2004 while the CPI had only increased 14.9%. Ms. Pelot stated that she was told there were 2,876 accounts in the Ord Community, but Exhibit W-3 showed there were 2,808. She said she was also concerned over the high interest expense, along with high personnel and labor costs. Ms. Pelot asked what the District was doing to decrease personnel costs and said other government agencies are experiencing furloughs. She asked to see an independent fiscal analysis showing that the charges are actually covering costs and not just projecting forward and collecting funds. Ms. Pelot also commented that the public notice was put on the District's website very late and the notice was not bilingual. She suggested the next time a Prop 218 notice was mailed it should be printed on the envelope stating that it is for the rate increase and protest. Ms. Pelot also suggested that more work be done to encourage people to understand the information. She noted that in 2002 the courts asked Marina Coast Water District to actively pursue annexation of the Ord Community to allow those residents representation.

Ms. Stone commented that Preston Park residents started out with a \$50 a month water bill and were told that the bill would cover the infrastructure on the Ord Community. She said that in this economic situation everyone is complaining and there needs to be a way out that is sustainable for everyone. Ms. Stone commented that a plan needs to be developed to alleviate the dollars that are being pushed on the backs of people who are already in a very dire situation. She said that there was a rate increase last year and asked when it is going to stop. She stated that everyone needs to come up with a different plan.

With no further public comment, Chair Potter closed the Public Hearing at 3:38 p.m.

(3) FORA Board Approval of Resolution Nos. 11-03 and 11-04 Adopting a Compensation Plan and Setting Rates, Fees and Charges for Base-Wide Water, Recycled Water and Sewer Services on the Former Fort Ord:

Mayor Pro-Tem Kampe commented that he was unarmed on reaching a conclusion on this item. He congratulated the District on tackling some deferred maintenance and improvements on the Ord Community. Mayor Pro-Tem Kampe said that he found the doubling of debt a red flag. He said that he felt that the increases in the cost centers might have differential increments instead of a flat 4.9% further stating that he did not have enough information to form a vote on this item. Mr. Heitzman stated that the original proposed increase for the Ord Community of 10% was greater than the one for Central Marina at 7.8%, but the District's Board decided on their own to lower them both to 4.9%.

Mayor McCloud commented that according to the last WHEREAS in Resolution No. 11-03, "FORA is the lead agency for the adoption of rates, fees and charges for the area of the Ord Community..." and stated that any complaints will be directed at FORA instead of MCWD. She would like to see more detail on the expenses and didn't think that enough information was given to vote on this item.

Chair Potter commented that under the heading of meeting management, there were two ways to continue this item, 1) a motion for continuance; or, 2) a motion for approval. He said that if it fails approval it continued automatically for a month. Chair Potter suggested that more diplomatic way would be to move for a continuance of this item.

Mayor McCloud made a motion to continue the item to the July 8, 2011 board meeting, seconded by Councilmember Oglesby. Discussion of the Board: Chair Potter urged that any questions or clarity needed by individuals be forwarded through the FORA Board or the Marina Coast Water District. Mayor McCloud commented that at this time with everything that is going on with water, the Board has to be very careful of how the information is presented to the public. She added that for everyone's safety, it needs to be done with due diligence for all the information that is needed. Chair Potter asked for clarification if the motion was for a one month continuance and asked if that was adequate time for Marina Coast Water District to prepare. There was concurrence from Mayor McCloud and Mr. Heitzman. Mayor Edelen commented that TAMC has a great way of showing budgets with the numbers side-by-side and a column showing the percentage increase/decrease from year to year and it is easier for staff to identify and explain those changes. He suggested the next version show percentage increases and/or decreases. **The motion was approved unanimously.** Director Nishi commented that he hoped to get input from the Board on their questions before the next meeting. He suggested that for the future, if there are questions and clarifications on the budget, they be made before the Board meeting. Supervisor Parker suggested that in the future a sub-committee be designated to work with the District in advance of the Board meeting to make sure the messages get carried.

Executive Officer Houlemard commented that the FORA Board had appointed the Water/Wastewater Oversight Committee (WWOC), which has representatives from the jurisdictions that actively engage with MCWD leading up to the rates, fees, and charges that are presented to the Board. He said it sounded like Supervisor Parker was suggesting a policy level discussion before the full Boards met. Supervisor Parker asked if the WWOC meetings were staff to staff. Mr. Houlemard answered affirmatively. Supervisor Parker suggested that since many of the questions were coming from policy making parties, the meeting be held with full Board members. Chair Potter said that maybe it could be at the Finance Committee or Executive Committee and that would answer Director Nishi's suggestion of advance communication.

MCWD Director Burns commented that this had happened previously where the FORA Board has had questions about the budget increase. He reminded everyone that this was the fourth year of a five year rate increase and the District is moving along to accomplish the mission for the Ord Community. Director Burns said that there were questions like this at a previous meeting and the questions were sent back to staff and then when the Boards came together again a decision was made. Chair Potter agreed. Director Gustafson commented that there were five years in early 2000's that the Ord Community went without a rate increase and three years for Central Marina. He stated that after that, the increases were incremental.

Councilmember Oglesby commented that some questions can only be asked after the presentation is given. He added that he agreed with Mayor McCloud that the FORA Board needs to be comfortable and fully understand the increased rates.

- (4) MCWD Board Consider Adoption of Resolution Nos. 2011-36 and 2011-37 (Ord Community Budget and Compensation Plan):

Director Nishi made a motion of continuance for one month. Director Gustafson seconded the motion. The motion passed.

Director Shriner	-	Yes	Vice President Burns	-	Yes
Director Gustafson	-	Yes	President Lee	-	Absent
Director Nishi	-	Yes			

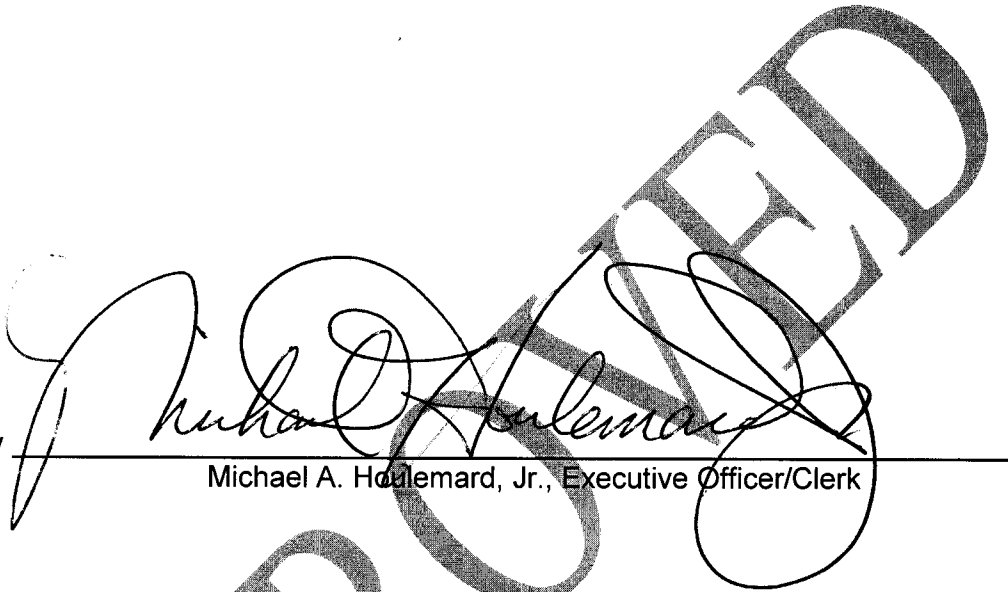
7. Announcements and Correspondence - none

8. Adjournment

The meeting of the joint boards was adjourned at 3:48 p.m.

Minutes prepared by Daylene Alliman Deputy Clerk FORA Board.

Approved by

A large, stylized handwritten signature in black ink, written over a horizontal line. The signature is cursive and appears to read "Michael A. Holdemard, Jr.". The signature is partially obscured by a large, diagonal watermark that says "APPROVED".

Michael A. Holdemard, Jr., Executive Officer/Clerk

A large, diagonal watermark in a light gray, textured font that reads "APPROVED". It is oriented from the bottom-left towards the top-right of the page.