



CONTINUED FROM ADJOURNED JOINT MEETING OF THE
FORT ORD REUSE AUTHORITY AND
MARINA COAST WATER DISTRICT
BOARDS OF DIRECTORS FROM JUNE 10, 2011
3:00–3:30 PM, Friday, July 8, 2011
Carpenters Union Hall * 910 2nd Avenue * Marina, CA 93933



MINUTES

1. Call to Order and Roll Call of Both Boards

1st Vice Chair/Mayor Edelen called the July 8, 2011 Boards of Directors meeting to order at 3:00 p.m. on July 8, 2011.

Fort Ord Reuse Authority Board of Directors:

Voting members present (Quorum present at call to order)

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).

Absent: Chair/Supervisor Potter (County of Monterey), Mayor Bachofner (City of Seaside) and 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 - Director
Ken Nishi – Director
Jan Shriner - Director

Absent: Bill Lee – President

2. Pledge of Allegiance

FORA 1st Vice Chair/Mayor Edelen led the Pledge of Allegiance.

3. Continued New Business

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

- (1) 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

MCWD Deputy General Manager/District Engineer Carl Nizawa discussed the questions regarding last year and this year's proposed rate increase. Mr. Nizawa explained that when the District took over service operations from the former Fort Ord it encountered infrastructure that needed improvement. Mr. Nizawa provided a PowerPoint presentation example showing the DE tank site. He said this site has a pump station with two tanks and one was structurally deficient and leaked. He said the Health Department said that the facility needed a major overhaul. Mr. Nizawa said that the District took on the project of revising the facility and provided a new two-million gallon tank. He said this was an example of what the district has done in taking responsibility for the new system. Mr. Nizawa reported that although there are not a lot of users on Fort Ord, only at Fitch Park, but the district ensures the proper operation of the system. (Mr. Nizawa showed pictures of the pumps and backup generators in PowerPoint attached). Mr. Nizawa said the District took on debt with a large bond \$26.5M of which is Ord Community debt and it has been expended. It was specifically to meet the needs of the current use and the jurisdictional needs in accordance with the base reuse plan. The District was to be reimbursed through its rates, capacity fees, and surcharges for new users. The current surcharge is \$20.00 per month in addition to the capacity fee. Because of the recession, all of the Fort Ord development stopped and we are now in a different situation. In 2008, the District undertook a new rate study knowing that development had stopped. Bartle Wells, in consultation with the local jurisdictions, recommended a new financing plan for the District which included five (5) consecutive periods of rate increases including 7.8% increases for the next two years. The rate plan was implemented per the recommendations of Bartle Wells. We are in the first of the 7.8% increases. The previous increases were 10%. This year staff went to the Board with the proposed 7.8% increase and the Board directed staff to decrease the proposed increase. Staff looked at operational and engineering costs and reduced the proposed increase to 4.9%. The debt service and proposed rate plan is the reason to trigger the rate increase for this year. Revenue is flat despite the 7.8% increase last year due to lower water use. Cost for the Ord Centers and labor rate has dropped. Interest costs have increased due to new debt because of an accelerated payment plan.

Supervisor Parker asked about the interest cost and if it is up because of an accelerated payment plan on the debt. Mr. Nizawa replied that there is new debt beyond the \$26.5M because of the purchase of Armstrong Ranch. Supervisor Parker asked if the infrastructure investment payment could be spread out over a longer period of time so that current people are not burdened with the cost and people that come along later to help pay for that. Mr. Nizawa said that Kelly Cadiente could answer that question. Ms. Cadiente said that the new debt issued last year was due to a refinance of the promissory note used to purchase Armstrong Ranch and it was a 10 year promissory note. When the District refinanced (to avoid the interest rate risk) the same debt schedule was maintained.

Mayor McCloud asked how many years are left on the note. Ms. Cadiente said that FY 11-12 is the second year of ten years on the note. Ms. Cadiente confirmed that the bond and the promissory note had been merged and refinanced the promissory note with the bonds.

Director Shriner commented on the questions Paula Pelot (noting she was not in attendance) had stated at the previous meeting of the Boards (on June 10). Mr. Nizawa said that the questions had been received just prior to the meeting. Ms. Cadiente clarified that two of the questions on the interest expense Mr. Nizawa had just addressed. She said the increase to maintenance expenses for both the water and wastewater and primarily it's all for equipment O&M valve replacement, property maintenance - stating it was aged and needs to be kept up even though there are future plans to tear down, fleet maintenance, and lab contract services are required to increase lab testing for permits. She said while it was a small amount it was a large increase to the budget which is why it was 71%. Mr. Nizawa answered the last question relative to annexation. He said the District has been addressing this issue and the next MCWD Board meeting will include an update regarding annexation. He said that the Board has already approved the consultant.

Director Gustafson commented that there is an agreement between the City of Marina and MCWD, done in 1975 or 1976, that requires a vote of the people in order for MCWD to annex. 1st Vice Chair/Mayor Edelen asked for any further questions of the Board. Supervisor Parker requested having an independent consultant audit the rate structure and the distribution of expenses to the different cost centers and suggested staff provide for next years' process. Ms. Cadiente stated that the District performs an annual independent financial audit which includes policies and rate structure and asked if Supervisor Parker was suggesting an additional audit be performed. Supervisor Parker answered affirmatively and suggested that often it is customary to have an independent audit and requested it be part of the board packet when looking at potential rate increases.

Councilmember Oglesby asked for clarification that Supervisor Parker was looking for a separate audit from the independent audit. Supervisor Parker answered that she was suggesting having an independent auditor look at the agency and analyze the rate structure in addition to the accounting structures and the way expenses are allocated to the cost centers. She said not that the agency wasn't doing its job but a separate look into financing strategies could also be helpful.

Mayor Pro-Tem Kampe made a motion to approve 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. Graham Bice seconded the motion. Mr. Michael Houlemard, FORA Executive Officer, commented that everyone had Resolution Nos. 11-03 and 11-04 in front of them with a revised date and noted that nothing else had changed in the Resolution. **The motion failed, with the following vote:**

| | |
|--|-------|
| 1 st Vice Chair/Mayor Edelen | - Yes |
| 2 nd Vice Chair/Mayor Pro-Tem O'Connell | - No |
| Mayor Pendergrass | - No |
| Mayor Pro-Tem Kampe | - Yes |
| Councilmember Brown | - No |
| Supervisor Parker | - No |
| Mayor McCloud | - Yes |
| Councilmember Selfridge | - No |
| Councilmember Oglesby | - No |
| Jim Cook | - Yes |

Mayor McCloud asked about the Marina Councilmember's concerns. 1st Vice Chair/Mayor Edelen asked anyone who voted "no" to voice their concerns. Supervisor Parker commented that she would like an independent analysis done sooner rather than later. Councilmember Oglesby agreed with Supervisor Parker stating that he needed more information. Councilmember Selfridge commented that they need more information. 2nd Vice Chair/Mayor Pro-Tem O'Connell said he had the same concern as Supervisor Parker. Mayor McCloud asked if those who want the independent study done would be willing to put the motion forward again with that contingency and a date certain. Supervisor Parker clarified mayor McCloud's request and said that with the level of concern and question, she would rather see the analysis first. 1st Vice Chair/Mayor Edelen commented that after conferring with

Mr. Houlemard, an analysis may take approximately sixty days and come back in two months. Supervisor Parker clarified that the date certain will be put on the analysis and staff to return in September with that analysis. Mayor Pro-Tem Kampe suggested that whoever makes the motion be sufficiently specific about what they want the analysis to provide; and that when a rate analysis is done there is the possibility that the cost basis is higher than anticipated. He asked if the analysis validates a potentially higher rate, will the Board members be prepared to accept that rate and approve it? 1st Vice Chair/Mayor Edelen confirmed that FORA staff would provide the questions from the board and answers as part of the analysis.

The Board further discussed the item and members stated their concerns that the analysis may validate a higher rate; precedence may be set; delays could produce serious consequences and be potentially financially destructive; and who would conduct the audit. Executive Officer Houlemard assured the Board that FORA and MCWD would work together to facilitate the hiring of an independent consultant.

1st Vice Chair/Mayor Edelen commented that he was hearing a desire for an independent audit, joint teamwork between MCWD and FORA Board, and getting specific information from those that voted no and asked if there was a motion.

Supervisor Parker moved for an independent audit, joint teamwork between MCWD and FORA Board, and getting specific information from those that voted no, and clarified that FORA would conduct the independent analysis by hiring an independent auditor and return in sixty days with the analysis. Councilmember Oglesby seconded the motion.

Mayor Pro-Tem Kampe inquired how much the FORA Board was committing to spend on the study. Mr. Houlemard suggested an amount not-to-exceed \$15,000 for the audit noting that it is possible it could be completed for a lot less. **Mayor Pro-Tem Kampe made a motion to amend the previous motion to include an amount not-to-exceed \$15,000. Supervisor Parker seconded the amended motion.** Councilmember Oglesby asked why MCWD was not required to pay for the audit. Director Nishi commented that it was up to the MCWD Board. **Councilmember Oglesby then amended the already amended motion to require MCWD to pay half the cost of the audit with the total not-to-exceed \$15,000.** Director Nishi commented that he is only one member of the Board, but he would agree to pay for half of the audit if the FORA Board agreed to pay whatever comes out of the audit. He referenced Mayor Pro-Tem Kampe's earlier comment regarding the rate increase and if the numbers show that the correct rate increase according to the study should be 7.8%, he would like the FORA Board to agree to that increase. **Mayor Pro-Tem Kampe made a motion to amend his previously amended motion to require MCWD to jointly pay half of the cost of the audit, a 50/50 split.**

2nd Vice Chair/Mayor Pro-Tem O'Connell asked if the motion included Director Nishi's comment regarding the higher rate increase. Mayor Pro-Tem Kampe stated his motion did not include Director Nishi's comment and stated that as a Board we cannot bind ourselves to a decision based on the outcome until we see it. He said that it is a fair question if we are prepared to do that.

1st Vice Chair/Mayor Edelen stated that there was an amendment to the motion for MCWD to pay half of the study and asked for a **second which was made by Councilmember Oglesby. The motion carried unanimously.**

Mr. Houlemard commented that in addition to the independent analysis confirming the work that Bartle and Wells performed, as part of the complete packet, information will be brought back to the FORA Board prior to sixty days and staff would provide the specific questions and answers that were provided to the individual Board members. Supervisor Parker affirmed.

1st Vice Chair/Mayor Edelen stated that what was presented today was a qualitative presentation for the most part however quantitative numbers of all the inputs, throughputs and outputs may have provided a different outcome.

4. Announcements and Correspondence - none

5. Adjournment

The meeting of the joint boards was adjourned at 3:58 p.m.

Minutes prepared by Daylene Alliman Deputy Clerk FORA Board.

Approved by



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

APPROVED