



PAJARO VALLEY WATER MANAGEMENT AGENCY

36 BRENNAN STREET • WATSONVILLE, CA 95076

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**Board of Directors Meeting
City Council Chambers**

**February 3, 2010 7:00 p.m.
275 Main Street 4th Floor
Watsonville, CA**

MEETING AGENDA

Agenda Item	Page #
Note: The Board may take action on any item listed on the agenda.	
1. Call to Order	
2. Roll Call of the PVWMA Directors: Rosemarie Imazio (Chair), David Cavanaugh, (Vice Chair) John G. Eiskamp, Dave Kegebein, Mike Dobler, Dennis Osmer, Warren Koenig	
3. Pledge of Allegiance	
4. Select Board Committee Assignments	1
5. Oral Communications. Audience Members may speak on any item pertaining to the PVWMA's jurisdiction that is not on the agenda. Not to exceed three (3) minutes.	
6. Director Comments	
7. Counsel Report	
8. General Manager Report	
9. Consent Agenda A. Receive Cash Flow Projection	
10. Discussion and/or Action Items A. Consider approval of Financial Statements for Fiscal Year ended June 30, 2009 B. Receive Presentation on draft Proposition 218 Service Charge Report C. Consider Removing 52" Import Pipeline from Revised Basin Management Plan Recommended Alternative	2 3-4 5-11
11. Future Meetings and Agenda Items A. Water User's Meeting- February 5, 2010, 10:00 am-2:00 pm, UC Ag Extension, 1432 Freedom Blvd, Watsonville B. Administrative/Finance Committee Meeting-February 16, 2010, 4:00 pm, PVWMA Conference Room C. Board Meeting-February 17, 2010, 7:00 pm, City of Watsonville Council Chambers, 275 Main St, 4 th Floor	

This agenda is subject to revision and may be amended prior to the scheduled meeting. If amended, a Final Agenda will be posted at the PVWMA offices at 36 Brennan Street, Watsonville, 72 hours prior to the meeting. Copies of the Final Agenda will be available at the Board Meeting. This Agenda shall be made available upon request in alternative formats to persons with a disability, as required by the Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12132) and the Ralph M. Brown Act (Cal. Govt. Code Sec. 54954.2). Persons requesting a disability-related modification or accommodation should contact PVWMA at (831) 722-9292 during regular business hours, at least 24 hours prior to the time of the meeting.

12. Closed Session

A. Conference with Real Property Negotiators

Property: APN: 052-581-06

Agency negotiators: General Manager, General Counsel

Negotiating parties: Susan J. Mine-Neddeau

Under negotiation: price and terms of payment

13. Adjournment

MEMORANDUM

DATE: January 29, 2010
MEETING OF: February 3, 2010
TO: Board of Directors
FROM: General Manager
RE: **ITEM 4: Select Board Committee Assignments**

BACKGROUND

The Agency has three standing Board committees, a Administrative/Finance Committee, Water Quality and Operations Committee, and a Technical Advisory Committee*, as described below. The Board may also wish to establish other committees.

Administrative/Finance (Admin) Committee:

Members: Dennis Osmer (Chair), Rosemarie Imazio, Mike Dobler
Schedule: 3rd Tuesday of month at 4:00 p.m.
Meeting Place: PVWMA Conference Room

Water Quality and Project Operations Committee:

Members: David Kegebein (Chair), Warren Koenig, Rosemarie Imazio
Schedule: 3rd Wednesday of the month at 3:00 p.m.
Meeting Place: 500 Clearwater Lane, Watsonville, CA 95076

Technical Advisory Committee (“TAC”)

Members: **Community members; local and state government representatives. No Board members**
Schedule: TBA
Meeting Place: UCSC Agricultural Extension Building, Watsonville, CA

Board Representatives to other organizations:

- Joint Powers Insurance Authority – Dennis Osmer
- Monterey County Farm Bureau - Dave Kegebein
- Pajaro River Watershed Flood Prevention Authority – Dennis Osmer
- Santa Cruz County Farm Bureau – VACANT
- Santa Cruz County Zone 7 Flood Control – Dennis Osmer

At today’s meeting, the Board should review committees, their functions, make changes as deemed appropriate, and establish memberships and meeting schedules for 2010. Committee chairs are typically elected at the committee level.

FISCAL IMPACT

Any change in the number of meetings would entail proportional cost impacts. Barring major changes, these impacts could be accommodated within the Agency’s existing budget.

STAFF RECOMMENDATIONS

That the Board designate committee memberships and set meeting schedules for 2010, as indicated below.

MEMORANDUM

DATE: January 29, 2010
MEETING OF: February 3, 2010
TO: Board of Directors
FROM: General Manager
RE: **ACTION ITEM 10A:** Consider approval of audited Financial Statements for Fiscal Year ended June 30, 2009

BACKGROUND

The agency's auditor, Bartlett, Pringle & Wolf, LLP (BP&W), has completed the audited financial statements for fiscal year 2008-2009. The audit resulted in a clean opinion, revealing that the Agency's financial statements were presented fairly and were found to be in conformity with generally accepted accounting principles.

The audited Financial Statements were presented to the Administrative/Finance Committee at its January 19, 2010 meeting, and the Committee recommended by consensus that the Board approve the statements. At our January 20, 2010 board meeting Stacey Hansen with BP&W presented a summary of the financial statements and answered questions.

FISCAL IMPACT

None.

STAFF RECOMMENDATION

That the Board approve the audited financial statements for fiscal year 2008-2009.

MEMORANDUM

DATE: January 29, 2010
MEETING OF: February 3, 2010
TO: Board of Directors
FROM: General Manager
RE: **DISCUSSION AND/OR ACTION ITEM 10B:** Receive draft Proposition 218 Service Charge Report

INTRODUCTION

Pajaro Valley Water Management Agency staff and consultants have completed the draft Proposition 218 Service Charge Report as directed by the Board in December 2009. The purpose of this service charge report is to evaluate, explain, and substantiate and update and increase of the augmentation and delivered water charges and to provide the documentation necessary to meet Proposition 218 and other legal requirements.

Proposition 218 requires that existing, new, or increased fees and charges meet certain requirements, summarized below (Cal. Const., Article XIII D, Sec. 6):

1. Revenues derived from the fee or charge shall not exceed the funds required to provide the property related service.
2. Revenues derived from the fee or charge shall not be used for any purpose other than that for which the fee or charge was imposed.
3. The amount of a fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of the service attributable to the parcel.
4. No fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question.
5. No fee or charge may be imposed for general governmental services.

This cost of service study was conducted following the principles established by the American Water Works Association.

DISCUSSION

This report is the culmination of an effort begun in 2008 to re-establish rates in compliance with the requirements of Proposition 218. Based on the recommendation from the Ad Hoc Funding Committee and input from the Board, public and legal counsel, fees consisting of consumption based pumped groundwater charges, similar to the existing augmentation charge, and a separate delivered water charge are proposed. The proposal includes two separate tiers of groundwater pumping charges for metered wells, with a slightly higher rate for well users in the delivered water zone. The proposed charge for rural residential wells is based on average estimated usage per residence served. Details of the fees and cost allocations to each user category are presented in the report.

At tonight's meeting, PVWMA staff and consultants will present a summary of the report and the analyses supporting the effort. Board and public input will be accepted, and a final report prepared for the February 17, 2010 Board meeting. Should the Board provide direction on February 17 to proceed with the Proposition 218 process, notice would be sent starting the clock for a public hearing at least 45 days later. The hearing would then be followed by a mail-in balloting for the groundwater charge. The

delivered water charge would be adopted, in the absence of a majority protest at the hearing, but implementation of the increased delivered water charge would be contingent on a successful groundwater charge election.

The draft Proposition 218 Service Charge Report will be delivered to the Board and posted on the Agency's website on Monday. Copies will also be available at the Board meeting.

FISCAL IMPACT

This is a fundamental step leading to the re-establishment of revenues sufficient to operate the PVWMA. Details of the proposed operating budget and fees are provided in the report.

STAFF RECOMMENDATION

That the Board receives the presentation on the draft Proposition 218 Service Charge Report, accept public comment and provide direction to staff

ATTACHMENTS

The draft Proposition 218 Service Charge Report will be hand delivered to the Board, posted on the Agency's website, and provided at the meeting

MEMORANDUM

DATE: January 29, 2010
MEETING OF: February 3, 2010
TO: Board of Directors
FROM: General Manager
RE: **DISCUSSION AND ACTION ITEM 10C: CONSIDER REMOVING 52”
IMPORT PIPELINE FROM REVISED BASIN MANAGEMENT PLAN
RECOMMENDED ALTERNATIVE**

INTRODUCTION

One of the principal objectives behind formation of the Agency in the early 1980s was to secure the Pajaro Valley’s historic allotment of Central Valley Project water. While importing supplemental water has been and remains an important potential future solution to balancing the groundwater basin, obtaining a community consensus necessary to adequately fund such a project has proved elusive. Given the Agency’s present inability to move forward with this project, directors have asked to consider removing the Import Pipeline from the Revised BMP’s Recommended Alternative.

DISCUSSION

The Agency adopted its first long-term Basin Management Plan in 1993, which identified various water supply projects involving local water sources and importation of supplemental water. The Draft Revised Basin Management Plan (Revised BMP) was completed and released for public and stakeholder review in October 2001. The Revised BMP evaluated the following alternatives to address water management in the Pajaro basin:

- **BMP 2000 Alternative.** Includes Recycled Water Facility; Coastal Distribution System; Central Valley Project (CVP) Import Pipeline with Inland Distribution System; Harkins Slough; Murphy Crossing; and supplemental wells.
- **Modified BMP 2000 Alternative.** Includes injection of CVP water into the groundwater basin for temporary storage and subsequent extraction; no Murphy Crossing project; no Inland Distribution System; and smaller diameter Import Pipeline.
- **Local-Only Alternative.** Includes Recycled Water Facility; Coastal Distribution System; Expanded College Lake with Corralitos Creek and Pinto Lake diversion facilities; Watsonville Slough diversion; Harkins Slough diversion; and Aquifer Storage and Recovery Project.
- **Modified Local-Only Alternative.** Supplements Local-Only Alternative with CVP water; blends recycled water prior to recharge; and adds another recharge basin for recycled water.

In December, 2001, after a rigorous process consisting of public outreach, coordination with regulatory and jurisdictional agencies and stakeholders, and other factors, the PVWMA Board of Directors directed preparation of a Final Revised BMP with a variation of the Modified BMP 2000 Alternative as the “Recommended Alternative.” Under the Recommended Alternative, CVP water would be the major source of water supply developed during Phase II (2003-2007), and would be conveyed from the Santa Clara Conduit of the CVP to the Coastal Distribution System for direct use after blending with recycled

water at a blending facility, located near the Highway 1 crossing of the Pajaro River. The Revised BMP also considered a number of potential future additional local projects as “Phase III” without identifying potential sources of funding or a specific planning horizon for development of these components.

The Revised BMP anticipated funding the design, construction and ultimate operation of the import pipeline primarily with augmentation charges and, upon completion, delivered water charges. The plan contemplated a series of gradual increases in the augmentation charge over the course of several years. However, the legal landscape changed significantly in 2006 with the California Supreme Court’s decision in *Bighorn Desert View Water Agency v. Verjil*, foreshadowing the Agency’s adverse ruling in *PVWMA v. Amrhein*. As a result of these decisions, it is now clear that the development of a community consensus, demonstrated by a successful Proposition 218-compliant funding process, must precede—or at least occur concurrently with—approval of any significant new water supply project. Accordingly, amending the Revised BMP Recommended Alternative to remove the import pipeline would align the Agency’s planning objectives with its current fiscal reality.

FISCAL IMPACT

None.

STAFF RECOMMENDATION

Consider amending Revised BMP Recommended Alternative to remove import pipeline.

ATTACHMENTS:

- Resolution No. 2002-05 – Adopting a Revised Basin Management Plan, Including a Recommended Alternative
- **DRAFT** Resolution No. 2010-02—Removing The Import Pipeline From Revised Basin Management Plan Recommended Alternative



Resolution 2002-05

A Resolution of the Board of Directors of the
Pajaro Valley Water Management Agency

Adopting a Revised Basin Management Plan, Including a Recommended Alternative

WHEREAS, The Pajaro Valley Water Management Agency (Agency) was formed, among other reasons, to provide integrated management of the ground and surface water resources within the Pajaro Basin. As the sole local agency responsible for the integrated management of water resources for the Pajaro Basin, the Agency bears responsibility for the management and augmentation of water supplies for domestic, agricultural, municipal and industrial purposes; and

WHEREAS, in 1993, the Agency developed a long-term Basin Management Plan ("1993 BMP"), which identified various water supply projects involving local water sources and importation of supplemental water, to balance water demands with water supplies in the Pajaro basin; and

WHEREAS, on May 19, 1999 by Resolution 99-05, the Agency Board of Directors certified the Final Environmental Impact Report (State Clearinghouse #97021006) for the implementation and construction of the Local Water Supply and Distribution Project ("Local Projects EIR"); and

WHEREAS, on May 19, 1999 by Resolution 99-05, the Board of Directors adopted a Statement of Findings, a Statement of Overriding Considerations and a Mitigation Monitoring /Reporting Program for the Harkins Slough component of the Local Projects EIR; and

WHEREAS, on November 15, 2000 by Resolution 2000-24, the Board of Directors adopted Findings Regarding Significant and Potentially Significant Impacts Considerations, and a Mitigation Monitoring Plan for the Coastal Distribution System Component of the Local Projects EIR; and

WHEREAS, on November 7, 2001 by Resolution 2001-18, the Board of Directors adopted an Addendum to the Local Projects EIR for supplemental wells and connecting pipeline at Harkins Slough; and

WHEREAS, after a 24-month public process consisting of public workshops, public hearings and public committee meetings, along with substantial input from the Action Pajaro Valley Ag/Water Committee, the Agency has prepared a Revised Basin Management Plan ("Revised BMP"); and

WHEREAS, the Revised BMP identifies a Recommended Alternative, which is described in Exhibit A to this Resolution and incorporated herein, which represents the most feasible combination of water supply projects and basin management strategies, implemented in phases, to most effectively stop seawater intrusion and increase the safe yield of the groundwater basin; and

WHEREAS, the phased implementation approach of the Recommended Alternative allows PVWMA to modify future project components based on actual (future) demand conditions and performance of water supply projects and basin management strategies in Phases I and II; and

WHEREAS, in accordance with the California Environmental Quality Act ("CEQA"), the Agency adopted Resolution 2002-04, certifying a Final Environmental Impact Report on February 6, 2002, which evaluated the environmental effects of certain water supply projects and basin management strategies within the Recommended Alternative; and

WHEREAS, certain water supply projects and basin management strategies in the Recommended Alternative will require additional environmental documentation to be completed by the Agency prior to implementation, if and when the Agency determines that it is necessary to implement these projects.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Directors of the Pajaro Valley Water Management Agency does hereby adopt the Revised Basin Management Plan, including those water supply projects and basin management strategies in the Recommended Alternative which are indicated in Exhibit A.

BE IT FURTHER RESOLVED, that the Board of Directors hereby authorizes and directs Agency staff to take all reasonable and necessary steps to implement the indicated water supply projects and basin management strategies contained in the Recommended Alternative in accordance with Resolution 2002-04, and all applicable federal, state and local laws.

BE IT FURTHER RESOLVED, that the Board of Directors recognizes that prior to adoption and implementation of water supply projects and basin management strategies of the Recommended Alternative not indicated in Exhibit A, the Agency shall complete additional environmental documentation as may be required pursuant to CEQA.

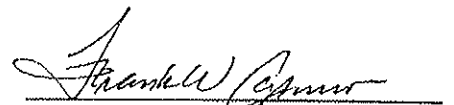
PASSED AND ADOPTED by the Pajaro Valley Water Management Agency, County of Santa Cruz, State of California, the 6th day of February, 2002, by the following vote:

AYES: Capurro, Carroll, Dobler, Eiskamp, Gallino, Imazio, Koenig

NOES: None

ABSENT: None

ABSTAIN: None



Frank W. Capurro, Chair

Attest:



Linda Contreras, Secretary

REVISED BMP RECOMMENDED ALTERNATIVE

* Items designated with an asterisk are indicated projects which have been evaluated in the Revised Basin Management Plan EIR and are approved by Resolution 2002-05

Phase I - Currently underway, completion in 2002

- Conservation: 7-year plan (5,000 AFY)
- Harkins Slough Project with Harkins Slough Recharge Basin and Supplemental Wells and Connections (1,100 AFY)
- Coastal Distribution System, Harkins Slough portion
- CVP Contract Assignment from Mercy Springs Water District for the Import Water Project
- Watershed Management Programs
 - Water Metering Program
 - Water Resources Monitoring Program

All projects in Phase I have been approved by previous actions of the Board.

Phase II -- 2004-2007

- Coastal Distribution System, remaining portion (*approved by previous action of the Board*)
- 54-inch Import Water Project (13,400 AFY) *
 - Out of Basin Banking
 - Acquisition of CVP Water Supplies
 - Inland-alignment turnouts (to interested parties) and five supplemental wells *
- Recycled Water Project (4,000 AFY) *
- Watershed Management Programs
 - Nitrate Management Program
 - Wells Management Program
 - Recharge Area Protection Program

Phase III – Future (potential projects)

- Aquifer Storage and Recovery (ASR) of CVP Water
- Inland Distribution System
- Watsonville Slough Project and North Dunes Recharge Basin
- Murphy Crossing Project with Murphy Crossing Recharge Basins
- College Lake Project in coordination with U.S. Army Corps of Engineers flood protection project



Resolution 2010-02

A Resolution of the Board of Directors of the
Pajaro Valley Water Management Agency

**A Resolution Of The Board Of Directors Of The Pajaro Valley Water
Management Agency Removing The Import Pipeline From Revised Basin
Management Plan Recommended Alternative**

The Board of Directors of the Pajaro Valley Water Management Agency does resolve as follows:

WHEREAS, the Pajaro Valley Water Management Agency was formed to provide integrated management of the ground and surface water resources within the Pajaro basin. As the sole local agency responsible for the integrated management of water resources for the Pajaro Basin, the Agency bears responsibility for the management and augmentation of water supplies for domestic, agricultural, municipal and industrial purposes; and

WHEREAS, in 1993, the Agency developed a long-term Basin Management Plan (“1993 BMP”), which identified various supplemental water supply projects, including local water resources and imported water, to balance water demands with water supplies in the Pajaro basin; and

WHEREAS, on February 6, 2002, after a 24-month public process consisting of public workshops, public hearings and public committee meetings, along with substantial input from the Action Pajaro Valley Ag/Water Committee, the Agency adopted Resolution No. 2002-05 “Adopting a Revised Basin Management Plan, Including a Recommended Alternative”; and

WHEREAS, the Revised Basin Management Plan (Revised BMP) Recommended Alternative, which is specified at Exhibit A of Resolution No. 2002-05, includes “54-Inch Import Water Project (13,400 AFY)” in Phase II, contemplated for completion in years 2004-2007; and

WHEREAS, the Revised BMP Recommended Alternative anticipated funding the design, construction and ultimate operation of the import pipeline primarily with augmentation charges, and contemplated a series of gradual increases in the augmentation charge over the course of several years; and

WHEREAS, as a result of several appellate decisions clarifying the applicability of Proposition 218 to various categories of fees and charges, including the 6th Appellate District’s decision in *PVWMA v. Amrhein*, it is clear that the development of a community consensus, demonstrated by a successful Proposition 218-compliant funding process, must precede or at least occur in conjunction with approval of any significant new water supply project; and

WHEREAS, as the Agency works toward reestablishment of a viable funding mechanism following the adverse decision in *PVWMA v. Amrhein*, amending the Revised BMP Recommended Alternative to remove the import pipeline will align the Agency’s current planning objectives with its fiscal reality.

NOW, THEREFORE, BE IT RESOLVED, by the Board of Directors of the Pajaro Valley Water Management Agency as follows:

SECTION 1. That the Revised BMP Recommended Alternative shall be and hereby is amended to remove the 54-Inch Import Water Project unless and until such time as an adequate source of funding for construction and operation of such a project is identified and community support is demonstrated therefor by a successful, Proposition 218 compliant, funding process.

SECTION 2. Execution of Resolution. The President of the Board of Directors shall sign this Resolution and the Secretary of the Board of Directors shall certify this Resolution was duly and properly adopted by the Board.

PASSED AND ADOPTED by the Pajaro Valley Water Management Agency, County of Santa Cruz, State of California, the 3rd day of February, 2010, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Rosemarie Imazio, Chair

Attest:

Veronica Barboza, Secretary