

Minutes of the Casitas Municipal Water District
Board of Directors Meeting Held
June 13, 2007

A meeting of the Board of Directors was held June 13, 2007 at Casitas' Office, Oak View, California. Directors Baggerly, Word, Hicks, Handley and Kaiser were present. Also present were Steve Wickstrum, Co-Interim General Manager, Rebekah Vieira, Clerk of the Board, Co-Interim General Manager; and Attorney, Rob Sawyer. There were six staff members and eleven members of the public in attendance. Director Baggerly led the group in the flag salute.

1. Public comments.

None

2. Board of Director comments.

None

President Baggerly adjourned to closed session item 7 on the agenda at 4:32 p.m. He returned to open session at 4:45 p.m. and proceeded to read the resolution in item 8 appointing Steve Wickstrum as General Manager.

3. Consent Agenda

- a. Minutes of the May 23, 2007 Board Meeting.
- b. Minutes of the June 4, 2007 Board Meeting
- c. Minutes of the May 6, 2007 Board Meeting
- d. Resolution setting the public hearing for June 27, 2007 for the Oak View Water Availability charge.
- e. Recommend approval of the response to the Bureau of Reclamation regarding request for funding for ADA projects.
- f. Recommend approval of the response to the Bureau of Reclamation regarding the WROS.
- g. Resolution approving membership in California Lake Management Society in the amount of \$25.00 and in the National Lake Management Society in the amount of \$100.00 for the Water Quality Supervisor.

The consent agenda items minus item f were offered by Director Kaiser, seconded by Director Handley and passed with the following roll call vote:

| | | |
|---------|------------|---|
| AYES: | Directors: | Kaiser, Handley, Hicks, Word and Baggerly |
| NOES: | Directors: | None |
| ABSENT: | Directors: | None |

Resolutions are numbered 07-26 and 07-27.

President Baggerly spoke regarding item f and suggested that we did not want to include water skiing in question number nine. Brian Roney explained that this refers to public inquiries to items not currently offered at recreation but that have been requested by the public.

On the motion of Director Word, seconded by Director Handley and passed consent agenda item f was approved.

4. Bills

Director Word questioned #24258 as to why the individual's name was there. Rebekah Vieira explained that was the name of a physician. Director Word then asked for a report to be reviewed in closed session regarding #24260. Director Hicks questioned #24201 to Stratecon. Mr. Wickstrum explained this is for expert witness work from Marzulla and Marzulla, work that was done months ago.

On the motion of Director Word, seconded by Director Hicks and passed, the bills were approved.

5. Committee/Manager Reports

- a. Finance Committee minutes
- b. Personnel Committee minutes

On the motion of Director Word, seconded by Director Kaiser and passed, the committee/manager reports were approved for filing.

6. Budget Workshop Continued from June 9th meeting.

- a. Review of proposed budget for fiscal year 2007/2008.
- b. Review of rate considerations for fiscal year 2007/2008.
- c. Resolution setting a public hearing for adoption of the budget for June 27, 2007.

President Baggerly continued the budget workshop from the June 9th meeting.

Mr. Wickstrum explained that coming out of the budget workshop we had some recommendations for changes to the budget. Denise applied the rate modeling to balance the budget. We did not make the adjustments to the capital projects. The new package today shows the work Denise has done based on the rate increases that were talked about at Saturday's meeting. The revenue expense capital number has changed as we are trying to bring it into a balanced budget scenario. Director Word added this proposal puts us within \$288,000.

Director Hicks suggested that Steve speak about Proposition 218. Mr. Wickstrum explained that Prop 218 is a challenge that we faced last year and even more this year. Attorney Rob Sawyer provided further definition of the proposition. It is a tax corrective measure in November of 1996 and had to do with requirements for notice and votes for taxes, fees and charges. Certain types of taxes can't be imposed unless voted. Others have to be noticed and approval or disapproval. Article 13 of state constitution did not

apply to water rates. More fees for services and have been drawn into it from a case that came down out of Bighorn, Desert View Water Agency. They won a battle and lost a war. They have a small number of users with horrible delivery challenges. The users put measure on the ballot and the court said you have to go through Prop 218 process. This district had held hearings and set a date for new rates. District did their rate hearing, provided notice to property owners and gave proper notice. Court appeared to say that fees have to be proportional to the benefit given to the tax payer. Assumption is that whatever you charge has to be proportional to delivering it. A challenge is that the district has a treatment plant that treats water and perhaps the farmers don't need that. Historically the Ag users are charged as if the water was not treated. Other users are paying a higher rate than the cost to deliver. Does this mean the rates have to be equalized? Goleta, Santa Ynez are dealing with it. Everybody charged the same thing.

Jim Coultas asked if ACWA has taken a position on Prop 218. Director Hicks answered there is a booklet out on it.

Rob Sawyer added it is a law of unintended consequences. Order went to the issue of the initiative and it is a general statement of the court that Prop 218 applies to water rates but does not say how it applies. President Baggerly added he called Cachuma today and asked if since they were a Bureau project if there was any special status of agriculture in the Reclamation laws. I was told they sell wholesale, not affected by Prop 218 at all.

Mr. Wickstrum explained that we spent time with the Finance Committee and looking at budgets. We are not in a position to approve the budget or water rates at this time. We are looking at expenses that are not getting less. We have a large infrastructure to take care of maintenance needs to have a reliable water source. We also reviewed some other issues like staffing issues, and capital projects and we will want to reconfirm that we will make the changes that were discussed at the workshop.

Daryl Kelley asked if this budget is based on rate changes in the coming year. Mr. Wickstrum replied yes. Daryl Kelley asked when the funds would be coming in. Mr. Wickstrum explained there is a notice period under prop 218 period and then would adjust to the billing cycle. The budget is looking at a September 1 effective date which may be too aggressive; it could be pushed back to October if needed.

Jim Churchill asked about the columns on the comparison of water rates for irrigation. Mr. Wickstrum explained that lifeline is the ones that have houses. If you have a house you have a lifeline rate for the first 17 units and above that are at the Ag rate. Jim Churchill added if the present rates and proposed, Ag would go up 50%. President Baggerly added this has been proposed, an increase over three years. Director Word added with the service charge Ag go up 40%.

Jim Churchill questioned charging Ag customers for treated water. Do we have an opportunity to talk about that? This is a steep increase. He suggested the board make a different decision. It is a discretionary decision to not include the cost of treatment plant on the Ag rate.

Jim Ruch representing OBGMA and Ojai Conservation District added that you have prepared a budget that treated water is a service that Ag does not want or need and is negative. When project constructed design dual function. Should the Ag user be penalized for that on the basis of your calling that under 218 a service when it is a service of a different kind? Not a service that the Ag user wants or should pay for. I urge you to prepare a budget based on the position that there should be a difference in rates paid by Ag users based on history of the projects and fairness of service actually provided. One other question – it is clear that if the Ag rates climb to 521 acre foot under a full interpretation of prop 218 there would be a dramatic economic affect. There would be a critical affect on only other source of water on groundwater basin and a race to the bottom of the basin. This is a bad thing for the Ojai valley and community. He suggested an analysis of environmental impacts of changing that rate that drastically and it would be consistent with intent of CEQA. President Baggerly explained that the adoption of rates are categorically exempt, perhaps statutory.

Rob Sawyer added this issue of the groundwater differential is being recognized statewide.

Jim Coultas added it appears to me the differential in the budget is service and supply and outside contracts. Is it necessary to do this year? Mr. Wickstrum answered that you are looking at \$239,900 contract to supply to Senior Canyon improvements. Some of that is reimbursable from Prop 50 money for that system and fronting that job. This is an attempt to get them to use more of their own water source less of Casitas. Mr. Wickstrum added that a lot of reliance on the basin has transferred off the basin and onto Casitas. He described not a rush to the bottom of the basin but use of the basin optimally. He added that he looked at avocado and citrus in same markets. San Diego sells water to avocado orchards around \$500 per acre foot and it is going up to \$721 acre foot. Carpinteria is going to \$736 next year and higher in pump zones. We barely cover pumping costs in some of the water that is delivered. How finely do you divide those costs of service? Zone rates for each of the nine zones are hard to divvy out.

Jim Coultas questioned if the retail agencies are paying their fair share. He suggested looking at the total amount of meters served by retail agencies and charging a fee based on that so they pay their fair share.

Jim Finch commented that we are not receiving the benefit. I am receiving a benefit for the homes that are on my parcel for the lifeline and I have no problems with that. On the Ag side I am not receiving a benefit.

President Baggerly asked if treated water is not a benefit to agriculture can it be considered a benefit. There is some evidence that treated water is a detriment. Mr. Wickstrum responded that is speculative. One example is how many times have you had to clean the drip system out because of diatoms in the drip systems. You have not had to in the last ten years because of the treated water you are receiving.

Jim Finch added that the water in Temecula is expensive. Temecula is in full production on avocados and some producing oranges. They will disappear. Avocados in foster park will disappear. Carpinteria is picking away this year. You are banking on

you can sell it at \$500 plus an acre foot. Don't count on it. I don't think you are having to stretch, proportional to value received to each customer.

Rob Sawyer added one of the problems the district is facing with this is that proportional is another way of expressing that people should not be charged more than the cost. Are we forced to boost Ag rate, are we in jeopardy of being sued by domestic users.

Jim Churchill –added you need to make an argument and have an explicit policy to justify that it is fair and equitable for all users. You can have within your authority that it is fair and equitable not to include the cost of treatment. President Baggerly added Ag is a benefit to people for the open space etc. If that is real for people that is a benefit for people.

Jim Passanisi from the City of Ventura spoke regarding the retail gravity rate. It is an abrupt rate increase. The City would appreciate your consideration for further deferrals. Ten percent target would be something we can work within our budget. That is what we assumed in our budget in January. We can work with that. Any other deferrals, if Prop 218 has created for you unforeseen rate increases, we may look at the take or pay comment. He asked for consideration for this to be considered unforeseen and fall under section g of the contract. Director Word explained that with the service charge it would come in at 15.7% increase. Director Word explained we can not continue to sell water to the City for \$207 per acre foot and you get \$727 per acre foot. Jim Passanisi replied we do the utmost to charge for cost of service. Support your efforts to do cost of service and benefit analysis. Are they receiving a common benefit?

Lisa Brenneis added it is a difficult process, riding two horses at same time. The reapportionment of cost of running the district is dramatic for one single year change and seems to me to be premature. I propose a one year moratorium to reapportion the costs per the 218 situation. My concern is that such a dramatic affect on the rates that is half of your acre feet I don't think wise to rush into. No opportunity to think of wide range of affects. Who knows how much water piped into east end to irrigate actually perking through? I could ask for a rental rate on half the water. What is the affect? East end not irrigated, what happens to basin water levels. Take one year to think about the implications in more detail and let others fight the legal battles. Leave a clear field to talk about rate increases.

Director Handley suggested looking at Jim Coultas' idea as an alternative before we rush into anything. In order to manage our costs there is a tremendous amount of administrative costs and for 267 meters it is a large cost. There is a possibility that we could look at the idea of spreading through residential and agriculture meters to bring into more equity there. Feeling that personally I am not ready to charge into something that will bring about a lot of the issues you have brought up today. We should get back into workshop mode and look more closely at the ideas. Apart from 218 we are in need of increasing our revenue for capital improvements. Lots of expenses that we have are concerned about maintaining our infrastructure. We are pushing the limit and have been for a while. We need to make sure we take care of the infrastructure. We want to make sure we have a viable infrastructure and delivery system. I would love for us to have an opportunity to look more closely and have Denise look at it again.

Mr. Wickstrum explained another part of the budget consideration is the requests for staffing needs. The majority of the supervisors are here if you have any questions regarding the requests. Director Word expressed his appreciation to the work that staff had done on the budget and appreciated the way they presented the needs for staffing. They are combinations of positions combining part time to full time and are well thought out and support as presented. Director Word added he supports the staffing requests. Director Kaiser added it is supported by management and much needed. President Baggerly added it appears we have consensus and are comfortable with staffing levels as presented.

The Finance Committee decided to hold a special meeting to look at distributing treatment costs amongst lifeline or other users we provide water to, in district or other purveyors of water. Director Handley added if possible, I would like us to look at spreading administrative costs by meter. President Baggerly added including resale customers meters in the amount.

Ron Merckling added that the California Urban Water Conservation Council BMP 11 amendments state that 70% of fees should be volumetric charges rather than fixed charges. Currently our charges are 75% volumetric.

The resolution was offered by Director Word, seconded by Director Kaiser and passed with the following roll call vote:

| | | |
|---------|------------|---|
| AYES: | Directors: | Kaiser, Handley, Hicks, Word and Baggerly |
| NOES: | Directors: | None |
| ABSENT: | Directors: | None |

Resolution is numbered 07-28.

7. Closed session:

PUBLIC EMPLOYEE APPOINTMENT

Title: General Manager.

Government Code Section 54957 (b) (1).

The closed session was held at 4:32 p.m. and ended at 4:45 p.m.

8. Resolution appointing the General Manager of Casitas Municipal Water District.

The resolution was offered by Director Word, seconded by Director Kaiser and passed with the following roll call vote:

| | | |
|---------|------------|---|
| AYES: | Directors: | Kaiser, Handley, Hicks, Word and Baggerly |
| NOES: | Directors: | None |
| ABSENT: | Directors: | None |

Resolution is numbered 07-25.

9. Information items:

Level of lake –6/05/2007 - -555.50 feet above mean sea level 11.50 feet below spill elevation); present storage is 223,889 acre feet (30,111 acre feet below full capacity of 254,000 acre feet, 96,889 acre feet above half capacity, or 88.15% full capacity.

- a. Fisheries Report for May, 2007.
- b. Notice to State Water Project Contractors regarding final 2007 Water Allocation.
- e. News Articles of Interest
- f. Investment Report

10. Closed Session:

- a. Conference with Real Property Negotiators (Section 54956.8):
District Designated Negotiators: John Johnson, James Word, Russ Baggerly
Property: Appropriative water rights, including future appropriative water rights, to the waters of Matilija Creek, and associated appurtenances including Matilija Conduit.
Negotiating Parties: Ventura County Watershed Protection District, County of Ventura, and California State Water Resources Control Board
Under Negotiation: Price, identification and nature of consideration other than cash, and terms of payment.

President Baggerly adjourned the meeting at 6:05 p.m. closed session item ten was not heard.

Secretary