

Board of Directors Special Meeting Held
June 9, 2007

A special meeting of the Board of Directors was held June 9, 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 Denise Collin, Accounting Manager. There were no members of the public in attendance.

1. Public comments.

None

2. Board of Director comments.

None

3. Budget Workshop

- a. Discussion regarding rate considerations for fiscal year 2007-2008.
- b. Review and discussion of the proposed Fiscal Year 2007-2008 Budget.

Director Kaiser explained that what you see before you is compilation of many meetings of the Finance Committee with staff. Staff was commended for diligence and patience despite the scant information on Prop 218 compliance. A lot of important work has gone into this and we will explain to board members how we determined the best of options available as of night before last.

Director Word added it is a horrendous project for staff to pull together and under the circumstances they had to work with. There are two considerations. One is the budget the other is the rate model. The budget has been gone over many times. Steve, managers and staff have reviewed it numerous times and refined it. They came up with their hardest number they could achieve and then they went back and came up with another one. I am convinced the budget is not a pie in the sky. This is what it will take, the cost to recover. Then you turn to the rate model and we tried to simplify or clarify it in terms of service charge, water rates, depreciation and realizing that we have lost a couple of years of taxes in which time we used the reserves we did have. Now the taxes are back but we are still paying the price for deferring capital projects and trying to stretch dollars as far as we could. It can't stretch much further. We have to face realities. Costs are not going down. The reservoir coating was put off too long and it cost double of what it would have cost us. We have been giving water away for a long time. The City of Ventura is charged \$207 per acre foot and they collect \$720 acre foot. Irrigation says they can't pay more but Carpinteria is at \$696 going to \$736 per acre foot and Goleta is \$435 per acre foot. We know we have to be Prop 218 compliant. We can't subsidize rates. We talked to our auditor night before last. The auditor last year was one that brought problem of 218 to our attention. He is involved with a number of water agencies and the consensus is this is the year everyone is biting the bullet and getting the cost in line. If you take our costs, the cost we have to recover and we have a total cost for

the district and spread by how much water each classification used. That is what we are using. It is the most appropriate. Everyone comes up with same water rate. \$521 per acre foot. The exceptions are those areas that don't have benefits such as pumping; they are gravity fed with no pumping so their rate is lower. To make budget our source of income is water sales, taxes, interest and an occasional grant.

Director Hicks questioned how we allocate indirect expenses and expressed concern of the amount paid by the City of Ventura and Ag. It was explained that these costs are spread according to the amount of water used. Director Hicks also expressed concern that the City of Ventura could terminate or renegotiate the agreement. If we raise rates they could turn us off.

Director Kaiser added our Auditor explained what his firm has been experiencing with other districts. He said every one of them is biting the bullet, doing the increases that have to be done in one full swoop, done before the election.

Denise Collin added as an Accountant I see black and white. What adds up is what our costs are. We have to recover those costs and more to build reserves. If our acre foot cost \$521 as a district is would appear that the fair and right thing to do would be to charge what it costs us. Now is what we are looking at. \$521 how much residents and Ag should be charged. That is the cost. To say bring Ag up but no credit to residential does not seem right. Director Kaiser added that as a residential customer if my rate stayed same I would be happy.

There was a discussion regarding rates for Ag in the Southern California region. Our Auditor was in here and he in jest mentioned a buck a unit people in Goleta. We sell it under 50 cents a unit. San Diego going up to \$741 dollars. We are pushing to recover the full cost of the water. The right thing to do is to recover the full cost.

Director Word was favorable to phasing in a couple of the rate changes. Director Kaiser was favorable to doing it all at once. He was concerned that if we phased it in we would be playing catch up for a long period of time. Director Word added this has to be our budget collectively. He proposed spending next year to find another model to allocate to rebalance again. We don't have software or information to come up with a different solution.

The Board suggested proposing to phase in increase in cost to City of Ventura over three years, roughly 20 % first yr. Phase in increase to Ag over three yrs roughly 50% first year. It will take three years to achieve full cost. Maintain at current rate the residential rate for the current year. Every other customer class goes to full cost. Resale pump to \$521 from \$397, this is a 31% increase. Target is \$521 for this year for most classes of customer. Service charges go up 4.5% an inflationary adjustment.

Director Hicks left the meeting at 10:30 a.m.

The Board discussed the recommended changes to the capital budget.

Discussion regarding new positions:

Mr. Wickstrum reported that the managers were asked give you their justification for the new positions. Most of them will be at the meeting on Wednesday if you want to ask questions.

Electrical Mechanical Specialist: Specialized training is needed and the average age in the department is 58. The idea is to begin to get another individual here to gather the institutional knowledge. An electrician has to go through a seven year apprentice program. To get the institutional knowledge needed could take three to five years. The Board was supportive of this.

Treatment Plant Operator: We started operation of the Treatment Plant in 1995 with four people. We are still at four operators. The issue is vacation, illness, and jury duty that occur and it is hard to cover during these absences. Those employees have been working extra to make things work at the heart of our system in our treatment. The Board was supportive.

Lab Technician: This is a position that Susan has held for many years. She has struggled greatly for the hiring of part timers to get the work done. The position handles sampling in distribution system, and flushing activities. Susan has taken on great deal of burden in reporting and compliance with water quality and keeping up with new regulations. We have been staffing with two part timers and then the go off to another agency for full time employment. It is a revolving door for her and so much time is spent training. This is another one with a lot of institutional knowledge. All of our water quality aspect is into one person who also needs time off etcetera. The Board seemed to be supportive of this.

Fisheries technician – proposing to remove one part time and change to five year term, full time position. We have the potential for a revolving door for field crew. We need more knowledge and better data gathered on this river. We need someone who knows river backwards, it is valuable for everyone. We need good data for our review in five years. There was also additional comments regarding more involvement with the fisheries at the lake. The Board was supportive of this position.

Water park coordinator – This has been needed since day one. The PSO responsible for the water park is spread out too thin with PSO duties. This is funded through recreation department. This was supported by Board.

District Maintenance – This is another area of transition. Larry has done a great job of getting things accomplished but has a revolving door with employees. It is difficult for him to be working on the Canal and trying to supervise a crew f part time workers doing building maintenance. Supervision is needed to ensure the part time employees are working safely. We would like to see one individual hired as a crew leader. This was supported by Board.

The Board was supportive of the new positions and felt this was a giant step forward.

Mr. Wickstrum was hesitant on the request for a Safety Coordinator and an Engineer. We are going to try to work with consultants for safety and he did not put in money for the extra engineer this year based on thin capital projects.

Capital projects list:

We will take out replacement laptops for the Board and the amounts for attorney fees to Goldsmith and Wilkinson.

President Baggerly continued the discussion to the meeting on June 13th and adjourned at 11:50 p.m.

Secretary