

Minutes of the Casitas Municipal Water District
Board of Directors Regular Meeting Held
May 11, 2005

A regular meeting of the Board of Directors was held May 11, 2005 at Casitas' Office, Oak View, California. Directors Hicks, Kaiser, Bennett, Baggerly and Word were present. Also present were General Manager, John Johnson; Rebekah Vieira, Clerk of the Board; and Attorney, Rob Sawyer. There were four staff members and one member of the public in attendance. President Hicks led the group in the flag salute.

1. Public comments.

None

2. Board of Director comments.

Director Bennett said he understands the trout fishing is pretty good right now. President Hicks asked if he had caught one and then further mentioned that there had been rumors of a sighting. It was asked how large they are and Director Bennett said 8 – 10 inches. Director Kaiser said they are making their way down stream.

President Hicks commented that we had a good clean up day at the lake and Brian was out there with a boat and we cleaned up the shore area. We took a lot of trash out of there. I met an interesting guy from Ojai that cleans pools.

I don't know if you guys have seen these pictures but this guy from Pepperdine has taken of the lake that I am real excited about this. This is a calendar that we have had made through the foundation. The pictures are spectacular. The pictures are great. There is a whole portfolio. President Hicks showed pictures of a deer on the point. He added that they are spectacular. We want to get some of these framed for the office and I am going to buy some for my personal use and I am sure you might want some too. That is pretty exciting.

The other exciting thing that happened is we got our interviews done with the previous managers of the district. I gave John a copy of the CD. It is DVD and if you are going to do it right it needs special machine. My daughter is going to do some for me. Jim you would be interested in this. We had many of the managers participate. We didn't get Lee Horn. Mr. Johnson said he wasn't interviewed. President Hicks said Dick Barnett was interviewed. He added that it is really well done. The only mistake is they put me as executive producer and that is embarrassing. You are going to learn stuff. I learned things I had no idea about the district. It will be a real interesting thing. I will get one burned for each one of you.

Director Baggerly suggested that we send information about the trout spotting to NOAA Fisheries. President Hicks said Ron is going to do a press release on it. Director Bennett said we have some pictures and they should go out with the press release. I suggest using the one we had in the newsletter where the fisheries biologist is out there

President Hicks asked how much we borrowed. Mr. Johnson explained about five million.

Director Kaiser asked about #17953 to DataStream Business Solutions and is that the purchase of the forms? Mr. Johnson replied that we usually buy the forms from DataStream because it fits their program. Director Kaiser asked about that particular program. Is that the payroll system that we use? Mr. Johnson replied that it is the payroll system and all the accounting system. Director Kaiser asked if it is DOS or windows based. Mr. Johnson replied it is Unix. Director Kaiser asked if Denise could come down later as he has a few questions for her.

On the motion of Director Bennett, seconded by Director Kaiser and passed the bills were approved.

5. Committee/Manager Report(s). APPROVED FOR FILING
- a. Recreation Committee Report
 - b. Finance Committee Report
 - c. Report on specific issues

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

6. Presentation of the Budget and Capital List for Fiscal Year 2005 – 06.
RECOMMENDED ACTION: Receive and review for the workshop on the budget.

Mr. Johnson reported that the purpose of the presentation of the budget at this time is to give your board an opportunity and the public to go over the budget before we talk about it and talk about changes. Typically what we try to do is two weeks from now we will have a workshop at the board meeting where we will go over the board comments on it. The idea of the workshop is that it allows everybody to have input to it and hear what everybody else is saying. We scheduled the budget adoption for the first meeting in June. During that meeting we will get back with you and talk about all of the changes that you have made. We will have it into the budget and you will be able to deal with it directly.

The budget originally presented by Staff showed about a \$1.4 million dollar deficit. We told you that we would balance the budget to start out with so that you know that you have a balanced budget. The budget that was provided to you shows that you have a balance of about \$12,695.00 over about \$10 million dollars. I also presented you with a report on the cuts. The total figures in the budget were kind of those numbers that I was putting together as I went so it is hard for me to keep track of all of the changes so they are not quite accurate. The budget that you got has all of the accurate figures. What my report did do is that it detailed the kinds of cuts we made in the budget so you would. We have prepared the budget and have made a number of assumptions. We have specific information about what things we took out. We have kept the budget conservative so that

we don't spend more money than we have. We estimated sales at about 16,000 acre feet. We have estimated FEMA projects at 70% of the estimated project cost. On the expense side for chemicals we estimated at 18,000 acre feet. We estimated about 15,000 for savings in power as that was projected. We have not eliminated any positions or any unfilled positions in the budget. One of the big things about this particular budget is that there are a lot of maintenance and capital items that we have had to remove in order to balance the budget.

The process that we went through is that as we reviewed the budget with the leaders of each section, we asked them what items they would cut first. We basically cut all those items first and then those are the first items talked about in my report that were cut. I then had to go back and cut some more because it wasn't enough. I have provided you some information on each of those. On the last page of the budget report we talked about those things that the section managers have suggested that you put back. One is the suggestion to go back were the coatings on the second filter. That is to do two filter coatings this year. It was estimated that would cost another \$175,000. One item wasn't in the budget to start but staff is really interested in getting done this year has to do with the wiring at Fairview plant which has been estimated between \$80,000 - \$100,000. Vault painting has been suggested to go back in at \$60,000. Pump overhauls was suggested to be back to \$125,000 when I cut it to \$50,000 and then park trails which I completely cut has been recommended to put the \$75,000 back in. The total of those projects alone is between \$465,000 to \$485,000. That would push us negative by quite a bit.

The elimination of these items represents some risk to the system of course. There are risks in just about everything and every decision that we make. I guess our view is that if you have questions we can bring people in to try to answer and explain what is going on. We can provide you additional information if you need that for any item that you want. We can modify the budget on the basis of what the board wants. You do have a balanced budget right now.

Director Kaiser mentioned that the staff recommendations have to be looked at seriously by the board. What is the likelihood of potential failure and additional costs we would have to incur at a future time such as the filter system? President Hicks said that is a hypothetical and it is difficult to answer. Mr. Johnson said it is difficult to say when you might have a failure. Your staff has identified projects that they feel that we should move ahead on and have recommended them to you. We have brought that information to you so that you have an understanding of what those kinds of risks are. The issue on the filters is that we have some corrosion on the inside and some pitting that at least for one of the filters has gone about 1/4 inch into a 5/8 inch. Director Kaiser asked when it gets irreparable. Mr. Johnson said we don't have that information at this time.

Director Kaiser said he noticed there was a suggestion to cut ecivis which is the program to assist in locating grants and it is a low budget item. I think that it is something that is important so we can look at additional revenues from other sources other than raising our rates. I am assuming that has been used regularly in the past by

staff and I hope that it is used in the future to locate grants that will be of service to the district. Is there any reservation for obtaining it? Mr. Johnson said at this point it is up to you. We spend a little bit more money than we make. Director Kaiser said it seems like a good search engine to have. He then asked about this particular budget and asked if it is taking into consideration any mid fiscal year rate adjustments. Mr. Johnson replied that we have not anticipated any mid year rate increase.

Director Kaiser thanked Denise for coming down and asked about the DataStream system. He said on page 93 of the agenda it talks about elimination of \$10,000 of outside services for DataStream assistance. From what I understand, and correct me if I am wrong, it is operating on a UNIX platform? Denise replied yes, it is similar to DOS. Director Kaiser asked in your opinion is that an outdated system? Denise said yes. Director Kaiser asked if there is a more efficient system that we can look to for the future. Denise said there is but it will take a while before she can make any recommendations. I am learning this industry and the needs of the industry. I do know that we need a more intuitive, more flexible report writer that I can extract data personally without having them extract the data and charge us x amount of dollars. The system was a perfectly fine system but, as we all know, technology changes and what is out there right now is a lot more than what we have. Director Kaiser said he is not trying to put you on the spot and not expecting any analysis. From this director's perspective it is an antiquated system and I am looking for efficiencies to save money and staff time. Denise responded absolutely. The way the system stands so far is that work is being done twice over in some cases. Just to find a customer number is not an easy search. I think that there are some checks and balances that aren't there to help us. An invoice could be paid twice because it doesn't have the bells and whistles to show that the invoice number has already been paid. It does not have the possibility to print out a single check. Checks are being written through excel. When being written through excel any number of errors can happen including human error. My initial evaluation is that there is a lot to look at to find out what the needs are. It will take a while for me to come to you and say this is what we need. Director Baggerly asked if because of the lack of capability of the system that means that our internal controls are not adequate. Denise responded saying that the internal controls are adequate but I think that it is harder for someone like me to find the information that you might need. I have to try harder to look up a check. When I should just be able to pull up in any software check number 123456 and it pops up. I don't have that option with DataStream. I think the internal controls are great. Director Baggerly said it bothered him when you said there is the possibility for any number of errors. Denise reiterated that there are a number of possibilities for a number of errors. President Hicks said from private practice there is a possibility for errors and they double pay. It is a difficult situation. President Hicks thanked Denise for coming down.

Director Word asked John to clarify something. He heard that we have a balanced budget but then heard negative so that it is balanced until we add these items back in. Mr. Johnson said correct. At this particular point you have roughly 2 million dollars in general reserves, cash flow reserves in the bank that it would have to come out of. President Hicks asked if the FEMA repayment was calculated. Mr. Johnson replied

yes. Director Word said at 70%. Mr. Johnson said we estimated that if it cost 100 we would only get 70 back. Typically that is what we have seen in the past.

Director Baggerly asked where he would find the expense for state water and for the repayment of the dam. Mr. Johnson replied that state water and repayment of the dam is off budget. The reason is because we collect monies directly from taxes and that is non operating revenue and it goes to a repayment of that which is not an expense it is just moving the criteria around. We collect about as much money as we pay out. Director Baggerly said he has a vague memory, and is not saying he is correct at all, but he has a vague memory that we have more in the dam repayment account than we actually need. Mr. Johnson replied that what we did a number of years ago is that we found that we were advancing the water system money to pay the dam account and what we tried to do was to collect an extra amount of money so that it would always be positive and then because of the costs of housing we got a little bit more than we needed to and we have readjusted the amount that we are collecting on the takes so that in the end it all runs out. You can't use it for anything else. You could pay in advance and we talked about that several months ago. It is for that specific purpose.

Director Kaiser asked about the items requested by staff to be returned back to the budget there is one that is characterized as priority 2 and that is the wiring at Fairview Pump Station. Was it confirmed that there was an electrical fire at that location? Mr. Johnson said that our staff was called out by Edison because they saw some of the panels smoking and they went out and did find some concerns and they are concerned about that. This developed after the budget was put together. Director Kaiser asked about the causative factor of that fire. Mr. Johnson said that most of the time you have copper wire in your pump stations and I understand that at some point when it was constructed it was constructed with aluminum wire and aluminum expands and contracts more and becomes loose in the connectors and you get arcing and get heat and it doesn't take much to melt the aluminum wire. We tightened it up. There is concern on the part of staff. They have recommended it. They need to go ahead and fix it so that it doesn't become a problem. Director Kaiser asked if the Fairview pump was at the extreme north end of Meiners Oaks. So that it is next to an area that could have some problems that could be sourced back to that electrical fire if that system is not repaired. Director Bennett said he would be concerned about this. Once it is smoked it is a concern. Staff is giving a priority two rather than one. It came after the budget. Mr. Johnson explained that it got a priority because as we are going through the system and something happens whether it is this budget year or next we would have brought it to you anyway and explained it is an important item. Director Kaiser said maybe it wasn't so much priority two and not so much of a rating, am I correct in that? Mr. Johnson said the five priorities are what staff collectively has put on those items. They basically recommended to you that you only put one item in you put in the second filter coating because those are key and critical to keeping your water quality up. If you lose one of those you have no backup to do the back washes. The second that they would go to is Fairview. They are in priority order.

Director Bennett said he is thinking about two priorities and Director Kaiser has brought up both of them that are of concern to me. It seems to me that we should look at

our reserves and how we could replenish the reserves. If we went ahead and added those two back into the budget and took it from reserves how would be replenish the reserves. Mr. Johnson said the next item in line is how you are going to replenish it, regain funds and the choices that you make and the items that you want to fund. As soon as we get done with the budget we will present you a long term financing plan that we have some questions for you about the things that you want to include in that. You don't have to make the decision today. It will follow the budget all the way thru so we need some direction on the kinds of things that you want to include so that we know the size of the nut. Some nuts are easier than other nuts. Depending on what you want to put in the budget, the kinds of things you want in the financing plan and how you want to do a financing plan. You could do a financing plan where you adopt a budget and your adopt rates at the same time to deal with what you put in the budget. You can do it like we did at the treatment plant over ten years or anywhere in between. The downside is that if you don't make a decision what happens is that you ultimately will run us out of cash flow so we don't have the money to pay our bills.

Director Bennett asked if it should go back to Finance Committee for some fine tuning. Mr. Johnson said he is just handing it to you to have it in case you have questions or things that you want research on. Director Word asked about the workshop for the public and do you want the priority items added back in and show a minus on the budget or do you want to show it balanced with the items that need to be added. We want to make sure that we are looking at one thing. If staff has recommended that we add it back it seems so serious that to not do them puts us in jeopardy of costing us more in the short term, not just long term. Are we trying to put those things in and show what the true budget is? Money will have to come out of reserves.

Director Bennett asked about the coating. What is the risk there. Bob Monnier reported that there is corrosion in the internal piping, on the brackets that are into the concrete. They have seen signs of corrosion and have band aided every filter. Director Bennett asked how fast does that coating go. Bob replied that we go into every filter every year and we noticed last year that it was starting to show little bit of corrosion but after it took off and this year we are seeing it everywhere. There are two filters that we are concerned about and they are pretty bad.

Director Kaiser asked about the life of the filter and where are we at now? Are we at halfway point and if we don't fix it will we have to buy a new system? Bob replied that they can be repaired. We can fix them and get about 15 years.

Director Baggerly asked if John estimated how much property tax you will get this year. It always varies and is never the same. How close has it been from what is estimated to what we actually get? Mr. Johnson replied that there are a couple of things going on that usually sometimes gives you more money than you expect. One of those things is that the increase in property values. It is something that is hard to come to you and estimate how much that increase is. We have tried to anticipate some but you we have been conservative in estimating it. Our concern is that you decide to spend 500 and you end up spending a million because we are off on our revenue. What we are trying to

do is get the budget as close as we can to a reasonable amount that you can feel relatively secure so that if you decide to spend another five hundred you are only down 1.5 million you are not down a million. We are \$12,000 in the black right now. President Hicks said when you add the items that staff is recommending you go in the red. Mr. Johnson said 480,000 in the red if you add the items in.

Director Word said that is his concern. Director Baggerly said we will not pick up \$400,000. Director Bennett said he thought the board could agree with the two major ones and the finance committee could discuss the others. Director Baggerly added like Pete said, the grant program that will allow us to find money finds money. Director Bennett said the problem with grant money is that what they want us to do that may not be the stuff we need to do and we put a lot of staff time not only to getting the grant but also in implementing the grant. Director Kaiser said he agrees with that however if you have a search engine that can search out what you need then it takes out all the other stuff that we don't need to look at. We are then that much further ahead. Director Bennett asked if we have been doing that. Mr. Johnson said he believed that we had that engine in as a test for a couple of months but he did not know if we ended up with any real grants out of that yet. We looked at it and it looked promising. Director Bennett agreed with Director Kaiser and we should look into that.

President Hicks said that if staff feels that we need to put that money back in we need to do it. We don't want to take any chances on safety or delivering the water. Director Baggerly asked about the State revolving funds or loans. Mr. Johnson said we can certainly look into that. That is kind of like what we have for the water treatment plant. We borrowed some money to do that. We had some little staff discussion on this today regarding borrowing the money. The concern that I expressed is that if you get into a bad year like we are this year and you have a whole bunch of c.o.p.'s out there you have to pay them and then you have to lay off staff. Director Bennett said he doesn't like going into debt either. President Hicks said we do have the two million in reserves.

Director Hicks commented that he appreciates staff, division managers and the General Manager for going through this with a fine tooth comb to look at areas that we can either defer or we don't need this particular budget items and looking at savings in other areas. I agree with Director Word and Bennett regarding the priority one and two. It has to be re-included back into the budget.

President Hicks said now we need to set the date for the public hearing and you know the request of the board to put those items in. Mr. Johnson said your board has already set those dates.

Director Baggerly asked for an explanation. He read the memo talking about the pipeline and everyone here probably knows that it is referred to in the budget as distribution. President Hicks said if you have any questions I am sure John could answer them through e-mail.

Mr. Johnson said that you will have a workshop so that everybody could hear that is what you are adding back in. We know that you are going to do it and it will be presented that way at the workshop. Director Word said you will be presenting the balanced budget with this list of items to be added back in which will unbalance it. Mr. Johnson answered yes

7. Discussion of the Long Term Financing Plan for the District
RECOMMENDED ACTION: Provide direction to staff

Mr. Johnson reported that basically the long term financing plan is to recognize that a number of the items that we have taken out of budget. To the tune of about 1.4 million is really needed to balance. The items that we have cut in both capital and maintenance. Your staff has brought to you that it is necessary to operate the system in a reliable manner. In the past we have had these kinds of items in the budget and we have taken care of a lot of them. Getting behind on them is something that your staff is concerned about. The long term financing plan is an effort to identify those items that you would want to consider in the long term as to how you are going to deal with these things as we go along. I think that the idea here is that if we move ahead with the long term financing plan and we put that together then it is an automatic thing. In the long run it will fund all of those things for you. In the short term you have to use your reserves as they are now to get you through to the time when you have enough money to balance this out and rebuild the reserves in the end.

We have identified for you a number of financial issues that we think will be an issue for you in the future. The first one has to do with retirement health care. What is going on with retirement health care is that you have promised a number of folks at this district that you will provide for health care once they retire from the system. We estimated the value of that back in 2002 and it had dropped to about \$3.3 million from about \$5.7 million in 1994. There is currently a GASBY which is government accounting standards board requirement that by 2006 or 2007 that you actually put in your audit the value of that health care benefit every year so that you know what it is. When they did that in the private sector that was followed by the legislature requiring that you fund it. The questions here is simply we are asking you if you want to anticipate over the next few years funding that retirement health care value.

The second one is new capital funding. There are two types of capital funding. One is replacement capital, replacing what you already have. If you had a filter that was corroded enough that you couldn't fix it and would have to replace it in the future, that would be replacement capital. When that happens, you have to have money in your budget to do that. Typically the way we have budgeted for that in the past is depreciation that we have put in the rates. We generate that money and you have money to take care of depreciation of those facilities. New capital is things that are coming on outside of that. For example, when you get state health telling you that you have to build a corrosion control facility, that is considered new capital. You have no funding mechanism to fund those types of projects. We have had big new capital, the treatment

plant and the fish ladder. Right now as I look at the current five year plan that we have we have about \$4.7 million dollars of new capital items that your staff is telling me that we need.

The next item is replacement capital. It has been anticipated over the years that you need to replace your equipment as you go. It wears out. We have done a lot of replacement. For example we have replaced avenue one pump plant because the motors were getting old and we were having troubles. We put in brand new pumps. We did the same thing at avenue two. We have more money in the budget to update some of the others. The replacement funding right now you have a funding mechanism that is your depreciation charge that we include in the rates. You have been collecting that. It generates about \$1.3 million dollars per year. Director Baggerly said it is on the original cost. Mr. Johnson said we have talked to you about going on replacement cost as it will cost you more today to replace that equipment than it originally cost you to put it in. Ultimately you will run into a shortfall if you don't start funding that. The shortfall means that you have a number of maintenance items that your staff is proposing as they come up to the end of their life. They are work out or have troubles and need to be replaced and you don't have the funds to do it. You can spread that cost over the long term so in general you will get those funds by having replacement cost depreciation rather than the original cost depreciation. We have looked at that and have some estimates that you have to have a change from \$1.3 million to something more in the neighborhood of \$5 – \$10 million. We need to take a look at those numbers carefully before we set them.

The next item is employee agreements. Right now you have agreed to 2.6 – 3.6 % per year on rates for both water and recreation. That is what you have to collect in order to simply pay for your employee agreements. That might be a little bit different for recreation than it is for water but I spread it broadly over both because that is generally what the costs would be.

The next item is loss of tax funds. Basically this year and for sure next year you have lost about \$800,000 in taxes. The question is whether you will ever get it back. It was clear to us in the early 90's that the legislature wanted to take it all away, they just needed the method. They took some away then. They have recently taken more away. While they promised to give it back they already have programs and are considering how to borrow it from you permanently. I'm not sure the tax funds will be available. Director Word added it is pretty clear that the political representatives at ACWA last week that there is a universal feeling that special districts like ourselves have an ability to raise rates to replace those funds and that is what we will have to do. It would be a gross error on our part to count on those tax funds. If we get some back or not I think it is a mistake to plan on it.

Mr. Johnson said the sixth issue has to do with capital financing in Recreation. As we have reported to you in the past the district has front ended about 3.3 million dollars to recreation. Recreation is paying that back for the depreciation charge that we charge them every year. The question before you is whether that should continue. Your

board in the past has said we don't want the water fund paying for the recreation fund or vice versa. If that is where you want to go then recreation is going to have to pay that back and set aside its own funds for that. We have been working on a five year plan. There is a lot of money in the five year plan to keep recreation facilities in shape.

Another item is additional water supplies. Your water supply and demand report back in December identified about 360 acre feet per year that you would be short once Matilija went out. Your board has also talked about maybe parking water on the state water project because there is a lot of water available some times. This year if we had wanted we could have parked all the water we needed. In order to park it you have to put aside some funds to basically rent the space and have the ability to pull it out when you want and pay for the water. In order to pay for the water and rent the space so that you can get it out not delivery you have to apply about \$3.8 million dollars in costs to build. That would be for about 30,000 acre feet. You have a significant amount of water you could depend upon should the situation occur.

The way the state project works is there is a number of different kinds of water. Under table A, you may not get all of that water every year but if you go through a year like we just went through you may be able to buy it all, 30,000 acre feet. Director Word said there are three of us involved in state water and our portion is 5,000 but you are saying that there is potential for 30,000 acre feet. Mr. Johnson said there is something called article 21 water. When they have a surplus if you have a place to park it you can get that extra surplus in the system. In order to get article 21 water you have to buy the entire table A water. What would happen in that situation is United always takes their five. You would have to buy at least 15 under the table A. United and the City have worked out a deal to do that for them so that they could buy the city's ten one year. We could do the same thing. What the city has done is said we wouldn't have to pay our costs that year which is good for them. Once you have done that and all the water is purchased under table A then article 21 water becomes available. President Hicks said then there would be money going out, paying for the parking. The City will not want to do that. Mr. Johnson said if you want to do something like that we would have to have an idea of how much you want to do. You would still have to pay delivery from that point to Casitas and that might be \$1,200 per acre foot.

Director Baggerly said once you park that water it becomes our commodity. President Hicks said you can't sell it can you John? Mr. Johnson said the state water contractors try to track it and supposedly you are supposed to use it. Director Word said in our case using it would be selling it. Director Baggerly said you would need to check where the water is going to be parked as there is an issue in Kern County regarding bio solids. Director Bennett said there is an issue with new water hookups and if we could park some water some where we could get rid of a big headache. Mr. Johnson said we will be talking about the amount of water that has been released and in this next fiscal year we won't have any water to allocate.

Mr. Johnson continued with the next issue being additional staff. We have talked with staff and we had a planning day back in October. The planning day identified that

there are a number of places around the district and there are some recommendations from staff that they feel they need additional employees. We have also discussed with you additional staff we may need to operate the fish passage. Each additional staff member over twenty years costs about \$1.6 million dollars. The kinds of thing we have been talking about over the next ten years are \$4.6 million dollars worth of new employees. Director Word said we haven't added the person that it will take to compile all the reports.

Mr. Johnson added that the next item has to do with health care costs under the employee agreements. Director Kaiser asked when the last meeting was with employee group that was suggested. Mr. Johnson said we had a meeting about a month ago. We talked about providing them more information and we have information to provide to them. Director Kaiser said collectively everybody is looking to reduce health care costs. Mr. Johnson said we are working through the system. Director Kaiser asked what does that mean. Mr. Johnson said we are informing them of what the costs are. Our position is that the way these things are escalating it will put you in a situation soon where we are likely to be back at the kinds of issues we were at the last agreement. Director Kaiser said I would hope we would be looking at possible reductions in that area before six years pass. Mr. Johnson said we have expressed that to them and they are at least coming to the meetings and that is positive.

Your board has talked about discounts to citizens within the district for recreation. If that is a small amount it has really no affect. If it is a significant amount it could have an affect on the money coming in to recreation.

The overhead charge in recreation is not an extra charge. If you move it out of recreation you move it into water. You might avoid an increase in recreation but you will put one in water. It is something that is just what is fair between the two.

The fisheries implementation. We have a lot of operational and maintenance issues. This year we had the fish guidance device fall apart on us. The brushes didn't work. Leaving material behind the cut off wall over a period of time could cause the water to go over the wall and not through the facility. That means that we lose water. I don't think we will be able to avoid cleaning that out regularly. In the past we have depended on FEMA money.

The next item is the Matilija Conduit costs. We have talked to you about that issue and I think that you have a problem there. The problem is that if we do nothing there will be a cost. That cost is when you get to the end of the agreement someone will ask you to pay for that line either by rental because you are serving those customers and that something that you will have to deal with on an ongoing basis or you need to buy the whole thing. You need to resolve it one way or another. Director Bennett said don't we have a letter into the county with a proposal. Director Word said yes and they have postponed three meetings because of the storms. Director Bennett asked when the last contact was on this issue. President Hicks said he met with Jeff Pratt on this three months ago. Director Word said in January we asked when the meeting was going to

occur and in my knowledge they have not responded. Director Baggerly said obviously no one has called them. I talked to Jeff yesterday and they will have a response soon. President Hicks said it makes no sense for us to pay for that conduit. Director Bennett said to keep this moving forward.

The final issues is reestablishing reserves. In the past we had more reserves. We had a million set aside for damages. In the end you still have to replace the reserves. The other is variation of water sales. When you get a wet year you get lower water sales and that tends to keep your budget in trouble. What it is offset with is that there are years that are really dry and you get more money those years. We also have talked about having a reserve for workers' comp. We have a high self insured retention on workers' comp. If we have a couple of those come through we will have a problem. We have saved a lot of money.

We identified the potential for long term revenue loss from the city once that agreement runs out, health insurance mandated by the state for all employees including part time employees and additional water releases. Our purpose over the next three meetings is to talk about which ones of these items you want to include in you long term financing plan. Some of these items have come from your budget. Some are something that we haven't talked about in the budget but are still out there.

President Hicks asked about paying insurance for part time employees. Mr. Johnson said there have been proposals and there was a proposal passed by the legislature a year ago that required everybody in the state to pay any worker with more than 100 hours of work for you over a years period. President Hicks said that will cut out a lot of people having a job. Director Word said all the summer help would qualify. Mr. Johnson continued and said if you look at the estimate right now you are looking at a ten year rate smoothing that would be between 7.8 and 8.8% over ten years. That is the kind of rate increase that you are talking about. That included funding your health care, putting something aside for new capital, employee agreements, additional water supplies, additional staff, Matilija conduit and reestablishing reserves. There are still a number of unknowns that are either unknown or not included in there. We need you to look at those items and tell us where you want to go with these. If you don't want to put them in we won't. When we get that line if someone asks you to fund one of those we won't have the money to do it.

President Hicks said this could be a topic to cover at a special meeting off site. This could be a whole day's work to work on this.

Director Baggerly asked about the five year capital plan and there was reference to something else that I understood to be a strategic plan. Mr. Johnson said it is a five year capital plan. Director Baggerly said we need to see that. Back in January, Pete asked about the need to do something and you questioned us about if we should do it. We asked for a prioritized list of capital projects to make a rational decision. We do need to see what you are talking about. I do think that we need a prioritized five year capital improvements, we need to set up funds for vehicle replacement, equipment IT and make

that the need for new computer equipment being listed as a capital project. Not individual machines that you just buy from a reserve for equipment but as a capital project. It is clear to me that we are lagging way behind in information technology. I agree with Bill. This is a huge project and we do need to hear it and we need to figure out what we need to spend and how we are going to raise the rates accordingly to pay for it. Good job.

Director Kaiser asked about the employee agreements. Mr. Johnson said the 2.6 – 3.6 is talking about all employees. I am kind of assuming that the agreements roughly are about the same amount percentage wise. Director Word said every district around will be faced with these same issues. Director Baggerly said it is asset management. Director Word asked if we would set a date to discuss this. President Hicks said lets get the budget done first and then let's attack this. Director Word said perhaps late June.

8. Discussion regarding review of Board Actions and State Statutes Pertaining to Post-retirement Healthcare program as it applies to retired directors.

RECOMMENDED ACTION: Discussion

Mr. Johnson reported that we had quite a session at our Personnel Committee yesterday discussing this issue. What the Personnel Committee agreed to is that the first thing that we need to do in committee is get a clear statement of the issues that are separating the understanding and agreement on this. The issues seem to be centrally located on the interpretation on what formerly elected official means. The second thing we need to do is develop the costs of continuing the retirement health care for those directors that would qualify under at least one of the interpretations. The third thing was figuring out how much has been spent on attorney's cost and what it would cost to have an additional opinion. Finally the question was if it should be referred to the attorney general who would take more time or to a private attorney which would cost more money. Your personnel committee would work this item over and come up with a clearer recommendation at a board meeting in the future.

Director Baggerly said he agreed it was a very interesting discussion. Director Word said if that is what we want to do the Personnel Committee will be referring back some cost estimates if we look for additional opinions and the full board needs to be aware of the costs. Director Kaiser said the one thing with some of the literature that has been passed our way. There has to be some discernment with an employee who becomes director that is a separate issue versus a director that then retired. I think it is confusing to me seeing a particular fact being presented with an employee after 20 years of service who qualified for those benefits and being part of this analysis as a director. Mr. Johnson said we were responding to the request of a Director for that information. It is fine with me to separate those things. I was trying to be accurate.

Jim Coultas asked when the next personnel committee meeting would be. Mr. Johnson replied the next personnel committee meeting is June 14th at 3:00 p.m. at the district in John's office.

9. Recommend approval of a purchase order to purchase new vehicles. The bids are expected to be within budget and documentation will be provided by the time of the meeting. APPROVED

President Hicks excused himself from the meeting at this point. Rob said the record should show that what has happened here is that the district has gone to bid for vehicles. Among the bidding parties is Barber Ford a corporation in which Director Hicks is a shareholder, officer, director and employee. The district is still legally able to deal with Barber Ford despite this if it is in fact approved. In statute 1901 of the government code this is deemed a remote transaction if it qualifies under one or more of a couple of different circumstances. It appears that it qualifies under two circumstances. One is the district may legally enter into the contract if Director Hicks had been affiliated with Barber Ford at least three years prior to his election and if Barber Ford had at that time at least eleven employees and it is counsel's understanding that was the situation. In addition this district had done business with Barber Ford prior to his election. The law also requires that even though it is a remote transaction Director Hicks can not participate in the discussion or vote. It must be approved by the same number of directors as would be required as if he were sitting here.

Director Kaiser let President Hicks know that he had everything under control. Mr. Johnson reported that we have a couple of vehicles, number 7 and 22. 22 has 70,000 miles on it number 7 is a 1998 Chevy ¾ ton pickup. 22 is a 1997 Ford half ton with 70,000 miles on it. We got trade in values of \$5300 for the Chevy and 2500 for the ford. We went to bid and got three bids. We sent seven out. The lowest bid is Barber Ford. It is low by about \$3,000. It is the best bid and lowest bid that we got. It meets the specifications with the exception of some kind of seat issue which has been reviewed with staff and is not considered something that would separate us on that issue. I think one of the key things for me in this is that looking at the value of vehicles as you go out farther you lose salvage value. Your trading costs for your vehicles. As you keep them longer then the cost of the vehicles goes up because they are not as valuable. We have moved off the six year program last year. We are not keeping up on that. I have seen some increase in some vehicles having bigger problems.

Director Word asked if both prices on these lists are for two different trucks and is the trade in accounted for. Mr. Johnson said yes.

On the motion of Director Word, seconded by Director Bennett and passed, the above recommendation was approved.

President Hicks left the meeting during the entire discussion of the item.

10. Recommend approval of purchase order on additional chlorine purchases to Jones Chemical in the amount of \$19,305. APPROVED

Mr. Johnson said we have used all of our chlorine up and we need more to get to the end of the year and we recommend your approval. Director Bennett asked for these things to go under consent agenda in the future.

On the motion of Director Kaiser, seconded by Director Bennett and passed, the above recommendation was approved.

11. Recommend approval of the Personal Flotation Device Loaner grant for loaning PFD's to children. APPROVED

On the motion of Director Kaiser, seconded by Director Bennett and passed, the above recommendation was approved.

12. Recommend approval of a contract for the Water Survey Program to Pollution Prevention International, Inc. for an amount not to exceed \$35,000. APPROVED

Ron Merckling reported that we received two bids. This was the lowest bid. Two other bidders were too busy. I am planning to have 16,300 from this year's budget. We will do a water audit program but will expand it if we get the grant. We do have a \$12,000 grant that we are also receiving. President Hicks asked if we have done this type of thing before. Ron answered no. There are a couple of things that will be in addition to this is that we will be providing ultra low flow toilets, showerheads and aerators. These people go in and notice there are a couple of older toilets in the business that are high flow and they will recommend replacing those. Landscaping is also included with suggestions for irrigation changes. Certain business, like restaurants, use a lot of water in the kitchen. President Hicks asked how many business they will go to for \$35,000. Ron said \$35,000 would be different types of businesses are charged differently. President Hicks asked who would pick out what businesses and what areas. Ron said we are looking at business that are direct customers in Oak View and Ojai. It would include hospitals and larger businesses. We would start by targeting the large institutions. The largest water use account we have, we would offer them the survey. Having an expert go in there and provide them a report showing the costs to upgrade the facility and offer them the particular water devices that we are planning to purchase and lower water bills because it is lower water usage. President Hicks asked if this is part of the best management practices. Ron replied yes this is BMP #5 large landscape and #9 is water audits for commercial.

On the motion of Director Bennett, seconded by Director Baggerly and passed, the above recommendation was approved.

13. Resolution approving the Water Survey Program and grant application. APPROVED

A motion to adopt the resolution was presented by Director Word, seconded by Director Bennett and adopted by the following roll call vote:

AYES: Directors: Hicks, Kaiser, Bennett, Baggerly and Word
NOES: Directors: None
ABSENT: Directors: None

Resolution is numbered 05-40

14. Resolution supporting the proposed reuse project recommended by the City of Ventura with the wording of the Ojai Sanitary District Resolution. Information will be provided before the meeting on this item. TABLED
15. Recommend approval of Purchase Order for painting of vaults # 06253. TABLED
16. Recommend approval of purchase order #06249 to Willow Creek Fisheries in the amount of \$14,694.32. APPROVED

Director Word asked if 16 and 17 are the same. Mr. Johnson said they are different purchase orders. Director Word said they are for the same thing, fish. Is the combined amount what was in our trout budget that we no longer spend because DFG wants us to not plant trout? Mr. Johnson said it looks like we budgeted about 33,000 for fish this year. We have already spent a certain amount of that. It looks like there is only about \$16,000 remaining. This is for \$26,000. Director Kaiser asked Brian if he had an update. Brian reported that there had been an encumbrance that was not paid. We have \$23,000 in the fund, this came to \$26,000 so we will be \$2,000 over budget. Director Word said it is a great idea we are doing other fish other than just trout. Hopefully these will grow up to be catch able size. Director Bennett asked why they are coming at the same time. Might it make sense to stagger these? Director Kaiser said these are small fingerlings. Brian reported that these were recommended because of the brush covering.

On the motion of Director Bennett, seconded by Director Kaiser and passed, the above recommendation was approved.

17. Recommend approval of purchase order #06250 to Jim Allison Fish-4-U in the amount of \$12,447.44. APPROVED

On the motion of Director Bennett, seconded by Director Kaiser and passed, the above recommendation was approved.

18. Recommend approval of purchase order to Clean Lakes, Inc for the purchase of service and chemicals to copper sulfate the lake. APPROVED

Mr. Johnson reported that we told you that it was likely that we would have to copper sulfate the lake because of algae blooms. What we are doing is setting ourselves so that if the blooms happen we don't have to wait three weeks and incur a whole bunch of problems and get your approval and then go out and do it. We are trying to do it early.

This could be one or two treatments. It could be up to \$35,000 a treatment so it could be up to \$70,000 for two treatments. We recommend your approval

Director Bennett asked if there would be an impact to the fingerlings that we just bought. Brian Roney said he would coordinate the purchase of the fish with Susan. Director Word asked if this was lake wide. Mr. Johnson said not quite, it is about 100 yards from the shoreline. Director Kaiser added that the river is starting to get total algae blooms.

On the motion of Director Kaiser, seconded by Director Bennett and passed, the above recommendation was approved.

19. Information items:

Level of lake -05/3/05 - -565.54 feet above mean sea level (1.46 feet below spill elevation); present storage is 249,958 acre feet (4,042 acre feet below full capacity of 254,000 acre feet, 122,958 acre feet above half capacity, or 98.4% full capacity).

- a. Letter to Nancy O'Brien in response to her inquiry regarding water rates.
- b. Letter to Rod McInnis of NMFS regarding their comments on Ventura River Habitat Conservation Plan.
- c. ACWA to roll out water blueprint.
- d. News Articles of Interest
- e. Investment Report of May 4, 2005.

20. Closed Session

- a. Conference with Legal Council- Anticipated Litigation
Significant exposure to Litigation-Facts and Circumstances that might result in litigation against the agency, but which the Agency believes are not yet known to a potential plaintiff or plaintiffs. Government Code Section 54956.9(b)(3)(A).
Agency Claimed against: Casitas Municipal Water District
- b. Conference with Legal Counsel – Existing Litigation (Subdivision (a) of Section 54956.9 Name of Case: Casitas Municipal Water District vs. United States.
- c. Conference with Labor Negotiators:
District Designated Negotiators: John Johnson, Rebekah Vieira, Employee Organizations: Management Employees. Govt. Code Section 54957.6(a).

President Hicks adjourned the meeting to closed session at 4:45 pursuant to code section 54956.9 and 54957.6. Upon adjournment of the closed session and resumption of the open session at 4:51 p.m. President Hicks announced that no action was taken in closed session. The meeting was adjourned immediately.

