

DRAFT
Minutes of the Casitas Municipal Water District
Board of Directors Meeting Held
June 14, 2006

A special meeting of the Board of Directors was held June 14, 2006 at Casitas' Office, Oak View, California. Directors Kaiser, Bennett, Baggerly Word and Hicks were present. Also present were John Johnson, General Manager, Rebekah Vieira, Clerk of the Board; and Attorney, Rob Sawyer. There were four staff members and no members of the public in attendance. Director Kaiser led the group in the flag salute.

1. Public comments.

None

2. Board of Director comments.

Director Hicks asked when we would have a lake clean up. Brent said he would check into shoreline cleanup.

Director Word reported that he attended the water symposium for AWA and there were some interesting comments. According to recent decisions there will be inevitable growth however this can now be ignored in EIR studies and be used as an acceptable alternative. Percentages are being published that 3.5% of water is used for inside personal use. If all in home use of water ceased we would only save 3.5%. It behooves us to conserve but it used to be 50% of water was used for agriculture now it is more like 75% – 80%. Also, 19% of the states electricity is going to some form of water delivery. In addition there will be a need for a million extra acre feet of water in Southern California by 2035. We will not get it from the north or from the Colorado River.

Director Kaiser asked for the results of the vandalism investigation. Mr. Johnson said he would try to call them.

3. Consent Agenda.

APPROVED

- a. Minutes of meetings held May 24, 2006.
- b. Recommend approval of a purchase order to R.A Atmore in the amount of \$11,950 for spraying brush at Casitas Dam.
- c. Resolution approving reimbursement of the State of California in the amount of \$13,398.97 regarding the Santa Ana Ramp Grant.
- d. Resolution establishing the Oak View Availability Charge and setting the date for the public hearing.
- e. Resolution amending Resolution 05-77 for the tire derived product grant to include the title of the Casitas Officer who is authorized to execute all necessary documentation.

The consent agenda minus items d and e was offered by Director Baggerly, seconded by Director Bennett and passed by the following role call vote:

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

Resolution is numbered 06-18.

Regarding item d of the consent agenda, Mr. Johnson reported that we will not have a quorum for the June 28th meeting and so we can not hold the Oak View Water Availability public hearing. He suggested moving the hearing to the 12th of July?

The resolution with the change of the public hearing to July 12th was offered by Director Hicks, seconded by Director Baggerly and passed by the following role call vote:

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

Resolution is numbered 06-19.

Regarding item e of the consent agenda Mr. Johnson suggested modifying the resolution to authorize the President of the Board and the General Manager to sign things.

The resolution with the change of allowing the President and the General Manager to sign was offered by Director Word, seconded by Director Baggerly and passed by the following role call vote:

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

Resolution is numbered 06-20.

4. Bills.

APPROVED

Director Word questioned #21373 in the amount of \$9,500 for picnic tables. Brent replied that it was for 20 picnic tables as part of the Santa Ana ramp grant project.

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

5. Committee/Manager Report(s).

APPROVED FOR FILING

- a. Report on specific issues
- b. Personnel Committee Minutes
- c. Executive Committee Minutes

- d. Water Conservation/Public Affairs Manager Report
- e. Fisheries Biologist Report

Rob Sawyer pointed out the correction needed to Steve Wickstrum's name in the Personnel Committee minutes. Director Word asked if United has signed on for part of the support of the Fisheries Biologist. Mr. Johnson reported that United has signed on to pay about a third of the costs.

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

6. Recommend approval of including the Robles Diversion in the Habitat Conservation Plan. APPROVED

Mr. Johnson reported that we have long discussed including Robles and the Fish Ladder in the Habitat Conservation Plan. The advantages are that the HCP can result in a permit up to 75 years. This is longer than the BO that is in place. The BO can be changed tomorrow. The HCP has a no surprises clause. In general it would help protect fish in advance and helps us deal with water rights issue. It is a multi species approach not just the fish. The disadvantages are the BO you have already. Who knows if and when it may change? Likely to cost a little bit more. The section 7 is not likely to change during the takings claim. There have been some legal assaults on the no surprises clause. It provides us more of a long term agreement. The costs of mitigation are likely to go up but the benefits of getting involved early are good.

Director Word recommended that we include it. There was discussion regarding the costs and it was determined that before the HCP is adopted the costs will be known and if it is prohibitive you could take the Robles diversion out. Director Word added that having a HCP is the right thing to do for Ventura River. Doing it in conjunction with the other participants is the right thing.

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

7. Recommend approval of participation funding of NMFS in Recovery funding, supporting of scientific studies and a letter about basin transfers approval to the State.

APPROVED

Mr. Johnson reported that there are a number of legal attacks on water agencies on things that are going on. One has to do with inter basin transfers. 5937 Fish and Game code requirement for agencies that have dams to make sure the fish below the dam are healthy. Other concerns that if the BO or HCP if the recovery plans are not complete then those plans are challengeable in a court of law. In order to deal with those recovery plans it has been suggested by Sonoma they have gone to NMFS they want to move recovery planning along and provide funding for it. Cachuma Operations and Maintenance Board are being required to do the recovery planning on their own. Casitas

is in a better situation if we move ahead with trying to help NMFS get that recovery plan in place. First will get some control, it also helps to say to others we are doing everything we can do to protect the fish. We are working with others and put a little money together. The disadvantage is the cost of \$50,000 over 18 months and you don't have a lot of contractual control.

Director Baggerly added that if the recovery plan was developed the specific requirements for the recovery of the fish will be directed to specific things. With ours and other agencies help, the plan will be done sooner and the fish get a better shot at recovery. Mr. Johnson added it will take time to set down with NMFS and time to negotiate the agreement so we will be into the latter part of next year to fund it in next years budget. Every 18 months have another chance to say yes or no on this.

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

Special Meeting

President Kaiser reported because of a quorum issue on June 28th is the reason we have the special meeting today. President Kaiser recessed from the current general board meeting and moved into the special meeting at 3:40 p.m. Rob Sawyer added that the President called the special meeting, there was at least 24 hours of advanced notice, and notice and to the media and public was completed by 3:00 yesterday.

Resolution granting authority to the General Manager to continue with the business of the District and payment of District expenses from July 1, 2006 through July 31, 2006 or until the adoption of the fiscal year 2006-2007 budget is approved.

APPROVED

President Kaiser reported that there won't be a quorum present on June 28th so that meeting will be canceled. It was suggested that the resolution wording be changed to reflect from July 1, 2006 to July 31 or the adoption of the budget whichever is earliest. President Kaiser added this provides John provisional authority to make payments and carry on with the business of the district.

The resolution as modified was offered by Director Hicks, seconded by Director Word and passed by the following roll call vote:

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

Resolution is numbered 06-21.

President Kaiser adjourned the special meeting at 3:34 p.m. and returned to the regular meeting.

8. Discussion of the draft 2006-07 Budget and Business Plans.
 - a. Resolution setting Reserves for fiscal year 2006-2007.

Mr. Johnson reported that the board has had a couple of opportunities with members of your staff presenting the budget on May 8 and 12th. A 9.2% revenue increase had been discussed and then additional reductions to the budget to reduce the rate to 7.2%. The purpose of the meeting today is to give the directors an opportunity to give direction to staff regarding what is to be included and excluded in the budget.

A policy position has to do with reserves. We talked about reserves you need. You need reserves of \$2.4 million for cash flow, million variations in water sales. Second issue is we have 3.2 million in reserves. Leaves 800,000 to deal with storm damage and variation. You can use that money to set aside for reserves or use part of it for operations if you want.

We also want to continue to balance recreation. The organizational changes suggested in the Baker Management Study we have proposed waiting until next year to evaluate them. There were some staffing additions proposed and I would wait to see what is suggested by other sections. There were a number of suggestions about changing the budget including removal of the conservation gardens and adding the catwalks back in. Also we need to budget some money to repair the brushes and screens \$30,000. Work on reservoirs we suggest \$358,000 more for that. You have a storm damage issue that wasn't funded on the Rincon. It has been reported to you that pipeline is likely to go in the future. Customers would say you know about it \$380,000. Catwalks are \$160,000. This is an additional \$925,000 if you want to consider it.

In order to achieve funding for the projects that you indicated that you are concerned about we need to bring the rates up to do that. You would need to add 32% to the rate. Mr. Johnson suggested going back to the five year plan to see if the issue of having too many projects being requested based on priority. Need to have the five year plan and adopt that plan.

Director Hicks asked if this includes 100 % funding on our tax money. Mr. Johnson replied yes, 100% funding. Director Word added that revenue generating versus cost to supply is 32% below. That 32% is the depreciation. That depreciation is to replace the capital part that we have lost and that is what we would have to be working toward to get the reserves back. Mr. Johnson added you need reserves to deal with things that happen and to fund those projects that your staff has told you need to be done to keep it working.

Director Hicks asked how fast we write these off. Mr. Johnson said it depends. The water adventure is over 20 years; Pipeline is 50 – 100 years. Different pipes last different amounts of time. The difference is how active the ground is. You will have to start replacing pipes. You have to be able to replace those things. You need to generate those funds. Depreciation charge is missing in your rates.

Director Baggerly said he has tried to apply that word depreciation to the 32% and can't seem to do it. Stuck with definition to depreciation and how reflected in our audit. If the water users are falling behind by 32 % someone is paying for that. It isn't a true depreciation charge. How does it work?

Mr. Johnson added you have projects that really need to get done. If you don't get it done now it will cost a lot more to fix it later. President Kaiser added we have not been putting enough away and it is catching up with us because of the 40 – 50 year old pipes and equipment. President Kaiser said we need a minimum of 7.2% revenue increase to continue business. He continued by saying that some categories of users are paying 50 cents on the dollar for what it costs us to supply water. This leads into the 32% problem with the revenue matching what it will cost us to do business next year. Mr. Johnson added you have a long running need to do maintenance on your system. You are 32% short on the money you should be raising to fix your facilities and operations. He added that he originally recommended a 9.2% increase. Director Word added the minimum should be 9.3%.

Director Word added you gave a pass out with present rates and proposed with a total of 7.2% increase. Residential increased by 3.4% and I would suggest it go to 7.6% and break even. Business and industrial if they go up to 7% get close to costs. Irrigation rates 9% increase and they are 48% below I suggest we take them up to 12%. Gravity resale set at 9% and they are 28% below costs. Resale pump to increase 15% the other two are others and temporary and they are at 3.5% and I suggest you take them to 7%. That would generate an increase in revenue at 9.3%. Residential rates would add \$6.00 per month per bill. Irrigation would add \$2.23. We have to start evening this out.

The Board requested some comparison information to be provided at the next meeting.

President Kaiser added that the rates determine what the revenue will be and this directly ties into the budget. Mr. Johnson added it sounds like we are talking about a 9.3% increase for this year.

Director Baggerly asked for reports to have a quarterly budget discussion. Mr. Johnson said we have monthly reports that are discussed in the Finance Committee meeting that can be provided. Director Baggerly also suggested we do a priority list of those projects we need to get done and look at revenue stream and if water sales go up then move down the priority list. Director Word said that gets back to John's suggestion of the five year plan.

President Kaiser asked if 9.3% that would take into consideration the catwalk and Rincon project. Mr. Johnson replied that an increase at 9.3% and reserves to stay where they are now, the 9.3% would provide you some money to do a project or two more. President Kaiser then asked what 2% of revenue is. Mr. Johnson replied it is \$120,000. Director Word added that 9.3% does not get us to whole. President Kaiser added that we either adjust the revenues or make a lot of costs.

Mr. Johnson asked what type of reserves you want. Do you want to keep \$3.2 million or something less for unrestricted reserves? You have around \$4 million in

restricted reserves. I would like you to say hold 3.2 million for this year. Unrestricted reserves have to get to 4.9 million. This is where we are going and where we want to get in 5 years. We have some reserves this year we could use. Director Bennett said lets do that. We hold 3.2 million in reserves this year and add to it over 5 years. Director Baggerly asked how much will be spent on the takings claim? Mr. Johnson replied it looks like wont be close to what we have spent in the past but wont be insignificant. It depends on when the case goes to trial.

Mr. Johnson clarified that we would be looking towards a 9/3% revenue increase. We would hold \$3.2 million in reserves. We will evaluate reserves and see what we have over \$3.2 million and have staff develop a priority list for things to be put back in the budget for the meeting on July 12th

- b. Recommend scheduling a hearing on a revenue increase of 7.2% to be held at the June 28, 2006 Board Meeting.

On the motion of Director Bennett, seconded by Director Word and passed a hearing on a revenue increase of 9.3% to be held at the July 12, 2006 meeting.

- c. Discussion regarding potential changes to the proposed 2006-2007 budget.

This was referred back to the General Manager and staff.

9. Information items:

Level of lake -6/02/2006 - -566.42 feet above mean sea level .58 feet below spill elevation); present storage is 252,381 acre feet (1,619 acre feet below full capacity of 254,000 acre feet, 125,381 acre feet above half capacity, or 99.36% full capacity.

- a. Letter of thanks from the Association of Water Agencies of Ventura County for sponsorship of the Annual Symposium.
- b. Letter to Cathy McNease regarding her request to inspect and copy public records.
- c. Letter to Assembly member Pedro Nava requesting an opinion from the Attorney General on Retirement Health Care for Retired Directors.
- d. News Articles of interest
- e. Investment Report of June 7, 2006.

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.

- b. 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
- c. Threat to Public Services or Facilities. Government Code Section 54957.
Consultation with Agency Counsel Robert M. Sawyer and General Manager John Johnson.
- d. Conference with Real Property Negotiators (Section 54956.8):
District Designated Negotiators: John Johnson, James Word, Bill Hicks
Property: Rights to operate Lake Casitas Recreation Area under Federal Water Project Recreation Act.
Negotiating Parties: Bureau of Reclamation
Under Negotiation: Lease, price, identification and nature of consideration, and terms of payment
- e. Conference with Legal Counsel -- Existing Litigation (Subdivision (a) of Section 54956.9, Government Code). Name of Case: Casitas Municipal Water District v. United States.

President Kaiser recessed the meeting for five minutes at 4:45 p.m. and then at 4:50 p.m. went into closed session regarding government code 54956.8 and 54956.9(b)(3)(A). President Kaiser returned the meeting to open session at 5:10 p.m. reporting that no action had been taken during closed session and immediately adjourned the meeting.

Secretary