

**VENTURA RIVER WATER DISTRICT
MINUTES OF REGULAR MEETING OCTOBER 18, 2017**

Directors present were: Bruce Kuebler, Jack Curtis, Peggy Wiles, Marvin Hanson and Ed Lee. Also present were: Attorney Lindsay Nielson, General Manager/Board Secretary Bert Rapp, Office Manager Amy Joy Bakken and RDN Program Manager, Ichiko Kido. Public present were: Ron Calkins.

1. **CALL MEETING TO ORDER-** President Bruce Kuebler called the meeting to order at 3:00 P.M.
2. **PLEDGE OF ALLEGIANCE** – Bruce Kuebler.
3. **CONSENT AGENDA:**
 - A. **MINUTES SEPTEMBER 20, 2017**
 - B. **FINANCIAL EXPENDITURES FOR SEPTEMBER 2017**
 - C. **FINANCIAL REPORTS FOR AUGUST 2017**

Bruce Kuebler asked for more information regarding the voided check reason of "check rejected by vendor bank." Amy Joy Bakken explained the electronic deposit process caused the vendor's check to be rejected because the vendor's business name conflicted with the vendor's personal bank account name. Jack Curtis requested that the font size on the AP notes page be increased going forward for better legibility. Ed Lee moved for approval of the Consent Agenda, items A, B and C, seconded by Jack Curtis and carried 5-0.

4. **PUBLIC COMMENT** – None.

5. **WATER BUDGET RATE CONCEPTS AND SCHEDULE APPROVALS** – Bert Rapp gave an overview of water budget rate concepts explaining that several items required board direction in order for the new rate design process to move forward. He introduced Ichiko Kido, Program Manager for the District's rate consultant company, RDN. Jack Curtis asked if the District will be providing detail to customers regarding how we calculated each customer's water budget. Bert Rapp responded that sample parcels with colors for each type of landscape can be provided to customers along with their invitation to the water budget rate workshop. Ichiko Kido added that the formula used to calculate outdoor allocation can also be provided to the customers.

Setting a Base Rate: The Board has full discretion to set the base rate. The Board could set the base rate anywhere from \$0-\$105. Bert Rapp gave examples of how different base rates would affect the water bill of small water users and large water users. The data showed that a higher base rate would increase costs for the District's small users and lower costs for the District's larger users while increasing the base rate would have the opposite effect. Bert Rapp recommended setting the base rate at \$0-\$10 while Ichiko Kido and RDN recommended a \$26 base rate. Ichiko explained the \$26 base rate recommendation included fixed cost items such as (billing services, meter services, and CIP fire protection services). Jack Curtis said he is concerned that too many capital improvement projects have been pushed back due to insufficient revenues over the past years and that a higher base rate could help stabilize revenue and push forward capital improvement projects. Bert Rapp responded that the revenue issue occurred the first year of the drought and since then revenues and usage are being tracked monthly. With the monthly tracking, rates can be adjusted as usage drops to stay on track for revenue requirements. Ed Lee expressed concern over the District's population of customers on a fixed income and how an increased base rate would negatively impact those customers. **Public Comment:** Ron Calkins talked about the high value of water service to all customers in the District. He also discussed the value of RDN's opinion as they have industry and professional expertise in the area. He felt a base rate in between the District's recommendation and RDN's recommendation made sense, around \$20. **Board Comment:** Bruce Kuebler said the District should keep the base rate at \$10 to remain revenue neutral and lower the effect on small water users. Jack Curtis asked how increasing revenue requirements are taken into consideration over future years. Bert Rapp and Ichiko Kido explained that the rate model includes a 5 year revenue

Quantity of Water/Household: Originally, the District planned to allocate 5 units per household for indoor use and allow customers to submit requests to increase that allocation if they had more than two people living in the home. Bert Rapp discussed his growing concern for the workload that could be created by setting an indoor allocation that is too low. If the indoor allocation was set at 10 units, it would require fewer revisions. The Board consensus was to use 10 units for indoor allocation.

Tier or Cost Class: Bert Rapp requested the rate language be changed back to the term "Tier" instead of the current "Cost Class" as that is the industry standard and is much better understood by VRWD customers. Bruce Kuebler stated he didn't like the term tier as it's connotation was related to something other than cost of service rates. However, the Board consensus was to change the term back to Tier.

Bruce Kuebler requested the naming convention for this project be changed to "Water Budget Program" and he submitted changes for the customer mailing letter. Peggy Wiles commented that the allocation change form should have clearer language stating a cutoff date for submission during a billing cycle and when a change would be applied to the customer's bill.

6. **AMENDMENT TO AUDITOR CONTRACT** – Bruce Kuebler requested that going forward, the Office Manager doesn't make recommendations to the Board of Directors without the General Manager being named in the recommendation as well. Amy Joy Bakken discussed the completion of Audit Fieldwork by the District's new auditing firm, Bartlett, Pringle and Wolf LLP (BPW). She explained that BPW found several discrepancies related to beginning balances and some other prior year audit issues that led to additional hours being required on top of what was expected. The General Manager approved the additional work and BPW submitted an additional one-time cost of \$4,700. Jack moved for approval of the one-time additional cost to BPW for \$4,700, seconded Peggy Wiles, and carried 5-0.
7. **UPDATE ON THE UPPER VENTURA RIVER GROUNDWATER AGENCY-KUEBLER** – The UVRGA had their meeting last week and the Board approved the grant application. Bruce Kuebler is finalizing it with Lorraine Walter and Bryan Bondy. They are requesting \$630,000 on the grant application for the project which will cost about 1.3 million dollars. UVRGA found a bank that will setup an account for a JPA, specifically a Wells Fargo in Bakersfield who has several other JPAs. VRWD should be able to transition UVRGA financial transaction responsibilities over to UVRGA next month. The next meeting will be on November 9th. Details such as bylaws and the conflict of interest code are still being established. Jack Curtis asked about the resignation of Board Member Mike Krumpschmidt. Bruce Kuebler explained Mike's reasoning for moving on from the Board and his position being filled by Diana Engel. No action was taken on this item.
8. **GENERAL MANAGER REPORT ON WATER & DISTRICT STATUS** – The aquifer is currently 3.1 feet above the 30 year average for October 1 at an elevation of 514.8 feet. Well #1 is pumping at 800 gpm up 10 gpm from last month. Well #3 is pumping at a rate of 333 gpm down 7 gpm from last month. Well #4 is pumping 918 gpm down 12 gpm from last month. Well #2 can be pumped but is not needed at this time. No water was purchased from Casitas in October. Sales dollars billed on September 30, 2017 came in above budget. Lake Casitas was at 36.9% of full capacity as of September 1, 2017 at an elevation of 567.1 with storage of 87,779 AF. The lake has decreased 0.8% or 1.40 feet and decreased 1,978 AF since last month. Bert Rapp discussed other District activities including the FYE 2017 audit, Well #7 electrical completed, grading permit submitted for landscape berm, collecting old customer debt, creating new bill form, and a broken service line on Vallerio at Hermosa. No action was taken on this item.
9. **OLD & NEW BUSINESS:** None.
10. **EXECUTIVE SESSION-** None.

requirement projection that will be included in the Prop 218 notice. Marvin Hanson commented he agreed with the \$10 base rate. Peggy Wiles stated she also agreed with the \$10 base rate. Jack Curtis stated he does not agree with the \$10 base rate and feels that keeping the fixed charges too low will prevent completion of needed capital improvement projects. Bruce responded that the base rate won't affect completion of capital improvements and only overall revenue would impact CIP. Ed Lee moved for approval of keeping the base rate at \$10, seconded Peggy Wiles, carried 4-1 (AYES: Bruce Kuebler, Peggy Wiles, Marvin Hanson, Ed Lee. NOES: Jack Curtis).

Fixed or Variable Tiers: With the new water budget rate structure, the District has the option of keeping the current structure of fixed quantities of water in each tier or going to variable tiers where each customer would have a custom quantity of water in each tier. Bert Rapp discussed the components of having variable tiers which included effective tier names (efficient, inefficient, wasteful) and all customers paying for peaking, conservation and new water resources. With fixed tiers, peaking, conservation and new water resources would only be applied to the higher tiers. Jack Curtis asked if the water allocation would be based on the water we can produce. Bert Rapp responded that the Monte Via/Rio Via and Casitas Springs neighborhoods will be required to be within their CMWD allocation. Ichiko Kido gave a brief explanation of the variable tiered rate concept. She discussed having Tiers 1-3, where the full customer allocation would be in Tiers 1 and 2 and the 3rd tier would be for units over the customer's allocation with revenues restricted for water conservation and/or new water resources. She noted that one issue that has come up with the rate model is that the majority of VRWD customers don't exceed their allocation which would make raising revenues from Tier 3 more challenging. Bert Rapp noted that the draft analysis showed the Tier 3 rate for a variable tier rate structure would be about \$17/unit which would cause a drastic cutback in use. He also stated that other local agencies, CMWD and MOWD, chose to stay with fixed tiers when they transitioned to water budget rates. **Board Comment:** Bruce Kuebler said that if the District uses variable tiers, we wouldn't have a cost of service basis for the rates. Ed Lee said he wants to stay with fixed tiers. Peggy Wiles said she would at least like to hear more information from RDN on what they recommend based on the data analysis. Marvin Hanson said he was leaning towards variable tiers. **Public Comment:** Ron Calkins said although he could understand the benefits of both types of rate structures, he wondered what the point of transitioning to water budget rates would be if the District kept the fixed tiered structure as customers would still be focused on the total bill cost and not their water budget allocation. Bert Rapp responded that the economic signal would come from penalties assessed for going over allocation. **Board Comment:** Bruce Kuebler asked if the board had a consensus for fixed tiers. Peggy Wiles said she would not be in agreement with that consensus and would be interested in more data regarding the variable tier option. The Board consensus was to hold a special board meeting to decide between fixed and variable tiers on November 9th at 4:00 pm.

Penalties: Bert Rapp discussed having penalties for customers who go over their water budget allocation. He explained the economic signal that is sent to the customer by using penalties. Revenues generated from penalties would be restricted to new water resources and water conservation. Jack Curtis asked how we would handle penalties for customers who have leaks. Bert Rapp responded if a customer has a leak in a well service area, we can waive penalties if they qualify for leak relief, however if they are in a CMWD neighborhood we are unable to do so because Casitas does not allow leak relief during the drought. Ichiko Kido discussed the necessity of tying penalty fees to the budget making the fee justifiable. The Board consensus on this item was to have penalty fees for customers who exceed their water budget allocation.

55 Gallons/Person/Day: The typical water budget per person per day in the State of California is 55 gallons/person/day. The use per person per day in February of 2017 for VRWD customers was about 56 gallons/person/day. This standard needs to be established so there is a way to allocate water to customers who need to increase their indoor allocation for additional persons living in the home. The Board consensus was to use 55 gallons/person/day for indoor use allocation.

11. MEETING ADJOURNMENT - Bruce Kuebler adjourned the meeting at 5:03 P.M.

Attested:



Bruce Kuebler, President



Jack Curtis, Vice President