

**VENTURA RIVER WATER DISTRICT  
MINUTES OF SPECIAL MEETING FEBRUARY 15, 2018  
WATER RATE PROTEST HEARING**

Directors present were: Bruce Kuebler, Jack Curtis, Peggy Wiles, Marvin Hanson and Ed Lee. Also present were: Attorney Lindsey Nielson, General Manager/Board Secretary Bert Rapp and Office Manager Amy Joy Bakken. Rate Consultants from RDN, Inc. present were: Ichiko Kido, Elliott Deal and Jack Lyon. Public present who formally spoke were: Ron Calkins, Mark Golden, Pat Smith, Mike Ferro, and Cher Glass.

1. **CALL MEETING TO ORDER-** President Jack Curtis called the meeting to order at 7:00 P.M.
2. **PLEDGE OF ALLEGIANCE** – Jack Curtis.
3. **CONSENT AGENDA:** None.
4. **PUBLIC COMMENT (FOR ITEMS NOT ON THE AGENDA)–** None.
5. **WATER RATE PROTEST HEARING** – Bert Rapp gave a brief overview of the drought status in the Ojai area. He explained that if we continue to get four more 10-inch rain years, water in Lake Casitas will only last about 4 more years. He went on to explain the timeline for the City of Ventura to connect to state water and the subsequent pump station that would have to be built by Casitas Municipal Water District to pump state water into the Ojai Valley. Casitas is also working on their horizontal well (HOBO Well). The pipe connection to state water will have capacity capability of about 3,000 acre feet a year which would be the amount needed for health and safety water. If the Casitas HOBO well is successful, it might provide between 2,000 and 8,000 acre feet during severe drought. Bert Rapp then gave an overview of capital improvement projects that are coming up including drilling of Well #6, a second parker tank, fire hydrant and valve replacements, fire flow enhancements and Valley Meadow Drive pipe replacement.

**Ichiko Kido, RDN (Rate Consultants):** Ichiko discussed some of the highlights of the water rate changes including the elimination of the pumping charges for Zones 1 and 2, a slight change to the cost allocations by customer class, implementation of a penalty for going over water budgets and a change to the tier widths. She went on to give a presentation of the cost of service analysis and rate design completed by RDN to calculate the new rate structure for VRWD. The first step in the process was determining the revenue requirements based on Operation and Maintenance (O&M) Expenses and Capital Improvement Projects (CIP) Expenses offset by Non-Operating Revenues, Other Operating Revenues, Depreciation and Property Tax. This analysis showed that \$2.6 million dollars would need to be collected from base, dwelling charges, and volumetric charges annually. Next, the distribution of O&M Expenses was determined with the help of General Manager Bert Rapp. The budgeted expenses were grouped into different categories recognized by the American Water Works Association and budgeted items allocated into those categories. For CIP expenses, a ten year average was used because specific projects year to year vary too widely to give an accurate picture of expenses over time. For the Cost of Service (COS) analysis, there are two parts that combine to come up with cost of service by customer class: 1) Quantity of Water Demand and 2) System Capacity Demand. With the O&M and CIP costs allocated to expense categories, those categories were then applied to the cost causative parameters Average Day, Max Day, Max Hour, Customer Service, Billing and Fire Protection. For those expense categories that did not have Max Hour/Max Day causative parameters, they were applied to the other parameters of Customer Service, Billing and Fire Protection. Once each expense category was functionalized it was then applied to the appropriate customer class (Single Family Residential, Multi-Family Residential and Commercial) to determine the cost of service. The District's average for water use is 12 units (HCF) with 65% of VRWD customers using less than 12 HCF. 98% of VRWD customers use less than 45 HCF.

**Bert Rapp, Summary of Common Objections and Response:** Bert Rapp discussed some of the most common objections noted in customer protest letters. **Common objection #1:** Big water users feel that the base rate causes them to subsidize small users while small users feel the base rate

causes them to subsidize large users. Customers also stated concern for the legality of having a base rate at \$10 per month. **Response:** Base rates for other agencies typically vary from \$0 to \$40 per month. Keeping the cost of water in the commodity helps users make informed economic decisions. A list of several cities in the Southern California area with base rates from \$0-\$10 was presented. Mark Golden commented that base rates for LADWP shouldn't be used as a reference because it isn't in our local area. He went on to say that base rates for Ventura County area agencies are generally higher than \$10 and he disagreed with the selection of data presented. Bert Rapp responded that the LADWP \$0 base rate was presented as a response to the question of legality to the base rate being set at \$10 because they must also comply with Prop 218. **Common objection #2:** The rates don't recognize my large lot. **Response:** Jack Lyon of RDN responded that nothing in Proposition 218 or appellate court decisions says that a large lot must be recognized over a small lot or what percentage should be appropriated to fixed versus variable costs. He went on to say there are a lot of precedents justifying costs to higher tiers. **Common objection #3:** It's not right to put conservation on the higher tiers because everyone benefits. **Response:** The courts have held that the California Constitution authorizes water agencies to pass on the "true, marginal cost of water to those consumers whose extra use of water forces water agencies to incur higher costs to supply that extra water". The marginal cost of water includes: new water sources, water conservation and peaking costs. These costs are applied to the upper Tiers. **Common objection #4:** The cost of water meters should not be on the upper tiers. **Response:** Only the 13% incremental cost of the new meter is put on the upper tiers because the upgrade to texting meters is a conservation measure. **Common objection #5:** Water budgets do not allow saved water to roll over to the next month. **Response:** The District will be investigating this possibility later in the year. We are not aware of any other agency that rolls over water savings. **Common objection #6:** The penalty for exceeding your Water Budget is excessive since conservation is meeting the 30% goal. **Response:** The penalty is \$0.50/unit up to 125% of Budget and \$1.00 for over 125%. Water use above the water budget carries a penalty because it is wasted water. Penalty monies go to conservation and new water supply. The VRWD proposed penalty is far below the Casitas penalty of \$5/unit.

#### Public Comment:

**Ron Calkins:** Ron stated that he protests the water rates. He believes they are inequitable. He does not believe the rates reflect the cost of service. He doesn't believe that the \$10 base fee covers the cost of providing the connection, water meter, and the benefit of having a connection to a piece of property. He said although he believes water budgets are a great idea, he does not agree with imposing penalties after customers collectively conserved 30%. Ron went on to say that a roll over month to month is a perfect built in incentive to provide to customers to save more water. He stated that the rates unfairly and arbitrarily load costs on tiers 3 & 4. He strongly urged the Board to deny adoption of the rates and take more time to re-allocate costs.

**Mark Golden:** Mark's concerns were that the rates discriminate against customers with large residential lots, the rate structure that charges base rate of \$10 is unfair and doesn't provide revenue stability, the cost of service analysis does not accurately reflect the cost of service to a parcel, and the assignment of costs to tiers 3 & 4 is arbitrary and capricious. Mark felt that because VRWD provided data to RDN to complete the cost of service analysis that it was not accurate. He felt that a development of cost of service attributed to a parcel was not completed.

**Pat Smith:** Pat stated that he agreed with what had been said by Ron and Mark. He went on to say he did not agree with the way Bert Rapp presented the data about 40% of people in LADWP with low base rates and that not showing the other 60% was not an objective use of data. Pat felt the issue which would be most important to implement was the rollover of budgets from month to month.

**Mark Ferro:** Mark said he agreed that there should be a budget rollover. He stated that without a rollover he would be more likely to use all the water he could each month. Mark felt that VRWD customers have already cut down tremendously on the water used. He also said that VRWD costs have to be less on electrical because we are pumping less water and asked what happened with the plan to drill a new well.

**Cher Glass:** Cher asked for a definition of customer class and a clearer explanation on the property tax revenue mentioned in the presentation as well as the incremental meter cost being applied to Tiers 2-4. Ichiko Kido gave an explanation. Cher went on to say that VRWD should give rewards to their customers for signing up for auto-pay (like a \$1 credit on their bill) and for staying under budget instead of punishing with penalties.

Jack Curtis began to close public comments, however Mark Golden stated that he felt it was unfair that customers were not being given extra time to ask questions beyond their public statement. Bruce Kuebler responded that more time should be allowed for questions as customers were trying to understand the District's process. The Board consensus was to allow more time for questions. There was some discussion between the Board, management and customers on various topics including the costs of state water, legality of the low base rate, method of notifying customers of public hearing, status of VRWD wells, and legal terminology from the San Juan Capistrano case. Mark Golden asked Bruce Kuebler for an update on the Channelkeeper Lawsuit.

**Bruce Kuebler's Comments:** The area is in a dire state of water supply with Lake Casitasso low. Rainfall is really low, even lower than 2007, which was the driest in 20 years. Casitas is taking a very passive role in dealing with the state water project connection. They are putting the fate of our water supply in the hands of other people, mainly Calleguas and City of Ventura. Calleguas is trying to find a way to store 30,000 acre feet of water in Casitas. CMWD doesn't like the idea. If they were going to go along and negotiate, Calleguas would be willing to pay for the pipeline. SWCRB's water action plan has the Ventura River as the only river in So-Cal that will have an instream flow requirement and they are spending \$750k right now to do a surface water groundwater interaction model. The Water Board will balance the beneficial use to the instream for steelhead, for consumers in the area and agriculture. Two factors that will be weighted by the State Board are: what does your conservation program look like and what does your base fee look like? The answers to these questions make it less likely that something will be shoved down your throat by State Board. The Channelkeeper lawsuit was filed in Sept 2014 against the State Board and City of Ventura. They are trying to stop Ventura from taking water from Ventura River between April to October because steelhead need a summer habitat if they can't get to the ocean. We are now waiting to see if all upstream users will be brought in to the case. If we become a party, the fight in court could be about comparing reasonable use among users with less reasonable users being cut back. Again, rate structures and water conservation programs will be evaluated. As much revenue as possible needs to come from the commodity charge. We have to look to the long term.

Jack Curtis called the public protest hearing to a close. Ed Lee moved for approval to accept the RDN report "Revenue Requirements, Cost of Service and Rate Setting Analysis", seconded Peggy Wiles, and carried 5-0 (AYES: Peggy Wiles, Bruce Kuebler, Marvin Hanson, Jack Curtis and Ed Lee, NOES: None).

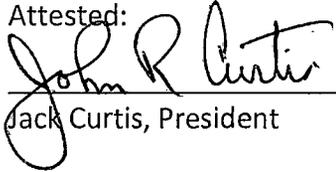
- 6. APPROVAL OF UPDATE TO THE RULES AND REGULATIONS AND RESOLUTION 2018-310 APPROVING WATER RATES**– Bruce Kuebler stated that the rates in Tier 4 were high enough to send an economic signal and he would be willing to defer penalties for one year of the new rates. Ed Lee responded that the District should leave the penalties in place and revisit in a year.

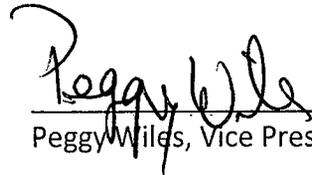
Bert Rapp presented proposed changes to the rules and regulations including making customer deposit refunds automatic credits to customer accounts instead of processing and mailing checks, adding the water budget program, determination of customer classes, raise the minimum purchase from \$2,000 to \$5,000 before formal bids are required and adoption of the first year of new water rates. Bruce Kuebler made a motion for the recommended action to approve the updates to the Rules and Regulations effective February 15, 2018, seconded Marvin Hanson and carried 5-0 (AYES: Peggy Wiles, Bruce Kuebler, Marvin Hanson, Jack Curtis and Ed Lee, NOES: None.)

7. OLD & NEW BUSINESS-None.

Jack Curtis adjourned the meeting at 8:55 pm.

Attested:

  
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Jack Curtis, President

  
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Peggy Wiles, Vice President