

SANTA YNEZ RIVER WATER CONSERVATION DISTRICT  
IMPROVEMENT DISTRICT NO. 1  
MINUTES

A Regular Meeting of the Board of Trustees of the Santa Ynez River Water Conservation District, Improvement District No. 1, was held at 5:30 p.m. on **Tuesday, April 16, 2013.**

Trustees Present:	Harlan Burchardi	Dennis Beebe
	Karen Carroll	Harry Poor
	Larry Musgrove	
Trustees Absent:	None	
Others Present:	Chris Dahlstrom	Gary Kvistad
	Mary Martone	Karen King
	Sandy Sullivan	Lee Bettencourt
	Fred Kovol	Jim Richardson
	Pat Sullivan	

**I. CALL TO ORDER AND ROLL CALL**

President Carroll called the meeting to order at 5:30 p.m., she stated that this is a Regular meeting of the Board of Trustees, all members were present, and Trustee Musgrove arrived late at 5:34 p.m.

**II. PLEDGE OF ALLEGIANCE**

President Carroll led the Pledge of Allegiance.

**III. REPORT BY THE GENERAL MANAGER/SECRETARY REGARDING COMPLIANCE WITH THE REQUIREMENTS FOR POSTING OF THE AGENDA**

Mr. Dahlstrom presented the affidavit of posting of the agenda, along with a true copy of the agenda for this meeting. He reported that the agenda was posted in accordance with the California Government Code commencing at Section 54950 and also pursuant to Resolution No. 340 of the District. President Carroll directed that the affidavit be filed as evidence of the posting of the agenda items contained therein.

**IV. CONSIDERATION OF THE MINUTES OF THE REGULAR MEETING OF MARCH 19, 2013**

The minutes of the regular meeting of March 19, 2013 were presented for Board consideration. President Carroll asked if there were any changes and/or additions. President Carroll requested a minor change.

It was **MOVED** by Trustee Beebe, seconded by Trustee Burchardi and carried by a unanimous voice vote to approve the March 19, 2013 regular meeting minutes as corrected.

**V. ADDITIONS OR CORRECTIONS, IF ANY, TO THE AGENDA**

There were no additions or corrections to the agenda.

**VI. PUBLIC COMMENT:**

President Carroll mentioned there were members of the public present. Jim Richardson addressed the Board and commented regarding the departure of Trustee Musgrove.

**VII. CONSENT AGENDA:**

Trustee Beebe noted a minor correction on page nine of the report. Trustee Beebe **MOVED** to approve the Consent Agenda as corrected, the motion was seconded by Trustee Poor and carried by a 5-0 unanimous voice vote.

**VIII. MANAGER'S REPORT - STATUS, DISCUSSION AND POSSIBLE BOARD ACTION ON THE FOLLOWING SUBJECTS:**

**A. DISTRICT ADMINISTRATION**

1. Financial Report on Administrative Matters
  - a) Presentation of Monthly Financial Statements

The Board was provided handout materials which included the financial statement for the month of March. Mr. Dahlstrom reviewed the statement of revenues and expenses and the balance sheet. He reported that the LAIF account balance was \$5,177,100.94 earning interest at .28% and that the PIMMA account balance was \$5,602,717.83 earning interest at .29%.

b) Reserve Accounts

The Board packet included an April 10, 2013 memo to the Board of Trustees regarding the District's reserve accounts.

Mr. Dahlstrom provided a review of the history of the reserve accounts. Mr. Dahlstrom explained the restricted and unrestricted reserve funds. He reported that a reserve balance of \$8,000,000 has been conservatively and reasonably maintained since 1991. Discussion ensued regarding the purpose of the reserves and the intentions of the fund uses balances that have historically been allocated across all reserve accounts, as well as specific discussion related to the State Water Project Reserve Fund. Comments from Trustees ranged from the District being too conservative, use of the reserves to pay off the bond obligation, expending the State Water Project Reserve Fund, to other comments focusing on the importance of maintaining an adequate reserve balance for unforeseen emergencies, regulatory mandates and maintenance and construction of capital facilities. It was the Board's consensus, to request that Mr. Dahlstrom contact the District's financial advisor from CitiGroup, Mr. Dave Houston, to obtain an opinion relating to reserves, adequate reserve balances, industry standards and comparable agency reserves. Mr. Dahlstrom recommended that the Board consider adopting a resolution at a future meeting that would establish and define the amount of funding in the unrestricted reserves. The Board would like to discuss the reserves at a future meeting.

2. Water Rate Study Update

a) Status of Proposition 218 Notice

The Board packet included the Amended Notice of Public Hearing regarding proposed water rate increases for reference.

Mr. Dahlstrom stated that the Amended Notice was mailed on March 29, 2013 to all ID No.1 customers and parcel owners within the District boundaries that could be served by ID No.1 (excluding Solvang residents) and was also posted on the District's website. He reported that the District is tracking all written protests as they are received.

Trustee Beebe submitted a draft special notice which was included in the Board handout materials for reference and discussion. Trustee Beebe suggested that this special notice or a similar notice regarding the proposed water rate increases and the protest process be included with the District's monthly water use bills. Mr. Dahlstrom indicated that the District could not include a special notice with the monthly water bills since the bills are post-card type with no envelope. Additionally, the discussion ensued regarding the mailing of an additional notice potentially re-setting the 45 day Proposition 218 noticing requirement which is already in effect with the March 29, 2013 Amended Notice mailing. No action was taken by the Board.

Ms. Pat Sullivan provided public comment on this item. The Board discussed a guest commentary or letter to the editor explaining the proposed water rate increases in the Santa Ynez Valley News. The Board directed Mr. Dahlstrom to submit an informational article regarding the proposed water rate increases and the need to meet increasing operational costs associated with providing water service, as well as the loss of the \$750,000 in tax assessment revenues.

- b) Hearing Set for May 23, 2013 at 6:00 p.m. at the Santa Ynez Inn, "Coach House" - Conference Room at 3627 Sagunto Street  
The Board packet included the Amended Notice of Public Hearing regarding proposed water rate increases for reference and discussion.  
Mr. Dahlstrom reported that the public hearing date is set for May 23, 2013 at 6:00 p.m. at the Santa Ynez Inn "Coach House" Conference Room. Mr. Dahlstrom stated that the public hearing will also be noticed in the Santa Ynez Valley News.

c) Water Rate Scenario Alternatives

The Board packet included three "Rate" option scenarios and three additional "Revenue" adjustment scenarios prepared by Black & Veatch, Water Rate Consultant, as requested by the Board at the March 19, 2013 meeting.

Mr. Dahlstrom reviewed the alternatives submitted. He informed the Board that the three tables referencing "Rate" option scenarios should not be considered. Mr. Gary Kvistad explained that the "Rate" options provided by the Consultant do not meet legal requirements. He informed the Board that the cost of water service must be reallocated over each water use classification and by applying a set "rate" percentage increase to the historic rates; this does not meet the equitable allocation of service and therefore the legal requirements. Mr. Dahlstrom reviewed the cost of service, the three "Revenue" adjustment scenarios which meet legal requirements, and discussed effects on the reserve accounts. The Board was provided time for questions and comments. Lee Bettencourt and Fred Kovol provided comments.

The Board requested that the information be provided at the next Board meeting that reflects the effects each proposed "revenue" adjustment scenario has on reserve balances.

3. Press Releases and Communications

Mr. Dahlstrom commented that this item was requested by Trustee Carroll to be discussed by the Board. Mr. Dahlstrom explained that several years ago the District distributed a newsletter to customers; however, there was not sufficient staff time or staffing levels and funds to continue to create and maintain a newsletter program. He indicated that the website is now the primary vehicle for customers to attain information on District activities, policies and procedures. Based on the a brief discussion, the consensus was to have the General Manager draft and send a guest commentary to the local Santa Ynez paper related to the rates. No other action was taken by the Board at this time.

4. Future Board Vacancy and Related Procedures

The Board packet included an April 8, 2013 memorandum from Brownstein, Hyatt, Farber & Schreck to the Board of Trustees regarding procedures to fill the vacancy on the ID No.1 Board of Trustees.

Mr. Dahlstrom provided a brief review of the vacancy procedures and stated that once Trustee Musgrove informs the District that the day that his escrow closes on his property, the vacancy notification process will commence. He explained that the Parent District will be notified as well as the County of Santa Barbara. Trustee Musgrove stated that he would inform the District upon closing escrow.

**B. DISTRICT OPERATIONS & MAINTENANCE**

1. Meadowlark Booster Pump Station Concrete Slab Replacement

a) Status of Project

Mr. Dahlstrom provided a verbal report. He stated that the pipe foundation and slab replacement project is near completion. He explained that there was an area of saturated

soil that was a concern; the result was determined to be caused by the initial above ground pipe separation that occurred in August of 2012 and not an underground pipeline leak.

b) Change Order No.1

Mr. Dahlstrom reported that due to the saturated soil area, additional work was required beyond the original contract bid amount. The Board packet included Change Order No.1 in the amount of \$4,647.50 from Hanly Engineering Corp. detailing the additional work needed to complete the project. Mr. Dahlstrom explained that with the amount of the additional Change Order, the entire contract amount remained below all other bids received for the project.

After a brief discussion, it was MOVED by Trustee Poor, seconded by Trustee Musgrove and carried by a unanimous 5-0 voice vote to approve and authorize the General Manager and sign a Contract Change Order in the amount of \$4,647.50 to Hanly Engineering Corp. for the Meadowlark Booster Pump Station Concrete Slab Replacement project.

2. Zone 3 Interconnection Water Main Project

a) Phase 1 Survey, Easement Reach "A" Pipeline installation adjacent to existing Santoro property buildings

The Board packet included the Deed of Easements for the two properties relating to the Zone 3 Interconnection project. Mr. Dahlstrom reported that this project has been moved up on the CIP list due to the constraints of one of the property owners. He provided a brief overview of the project and discussed need for acquiring easements.

b) Deed of Easement - Mike Santoro - 2150 Alamo Pintado Road

Mr. Dahlstrom provided the Board a brief report on the project and explained the easement details. Mr. Dahlstrom explained that based upon the survey performed by Blake Land Survey and using an appraisal conducted by Don Bratt Associates, the land value of the proposed easement was determined to be \$6,350.00. Mr. Dahlstrom recommended approval and acceptance of the Deed of Easement by Mr. Michael and Susan Santoro.

It was MOVED by Trustee Beebe, seconded by Trustee Musgrove and carried by a unanimous 5-0 voice vote to approve and accept the easement for Mr. Michael and Susan Santoro as presented and authorize the General Manager to accept and record the Deed of Easement with the County of Santa Barbara upon execution by all parties.

c) Deed of Easement - Jonathan Grunzweig - 2210 Alamo Pintado Road

Mr. Dahlstrom provided the Board a brief explanation of the easement details for the Grunzweig property located at 2210 Alamo Pintado Road. He explained that the easement presented is not final format at this time. He stated that the property owners, Mr. & Mrs. Jonathan and Kristina Grunzweig, have requested minor changes that require legal counsel review. Mr. Dahlstrom reported that the land was surveyed by Blake Land Survey and an appraisal conducted by Don Bratt Associates valued at \$137.00. Mr. Dahlstrom recommended approval and acceptance of the easement upon final review by legal counsel.

A brief discussion ensued, it was MOVED by Trustee Musgrove seconded by Trustee Beebe and carried by a unanimous 5-0 voice vote to approve and accept the Deed of Easement for Mr. Jonathan and Kristina Grunzweig with non-substantive changes to the

easement and authorize the General Manager to accept and record the Deed of Easement with the County of Santa Barbara upon execution by all parties.

**IX. REPORT, DISCUSSION AND POSSIBLE BOARD ACTION ON THE FOLLOWING SUBJECTS:**

**A. Cachuma Project**

1. Implementation of 2000 NMFS Biological Opinion issued to USBR for Continuing Operations of Cachuma Project

Mr. Dahlstrom provided a verbal report on the current activities related to the implementation of the 2000 NMFS Biological Opinion. He also briefly discussed the Hilton Creek watering system operational failure. He explained that the Bureau of Reclamation was expected to deliver their report of the incident today, along with input from the COMB staff. He noted that NMFS wanted more water released downstream due to this incident. However, this did not occur following a discussion with the AMC including involvement from Mr. Dahlstrom, Bruce Wales and Ali Shahroody of Stetson Engineers.

2. National Marine Fisheries Service Section 7 Re-Consultation with US Bureau of Reclamation for Operation of the Cachuma Project and Preparation of the Biological Assessment(BA)

- a) Draft Confidentiality Agreement to Supplement JDCA between ID No.1, SYRWCD, CCRB, City of Santa Barbara, Goleta Water District, and Montecito Water District

Mr. Dahlstrom stated that the Board discussed this proposed agreement at the March meeting and authorized legal counsel to review the draft confidentiality agreement to supplement the JDCA between ID No.1, SYRCD, CCRB, City of Santa Barbara, Goleta Water District and Montecito Water District.

Mr. Dahlstrom reported that Mr. Greg Wilkinson, special legal counsel for the District, reviewed the document and recommended approval of the document if all other parties are in agreement. Mr. Dahlstrom explained that each of the participating District Managers will be presenting the agreement to their respective Boards for approval. Mr. Dahlstrom recommended that ID No.1 Board approve the proposed agreement with one correction, that the agreement should be signed by ID No.1 Board President rather than the General Manager as shown in the draft to be consistent with the previous JDCA.

After a brief discussion, it was **MOVED** by Trustee Beebe, seconded by Trustee Poor and carried by a unanimous voice vote to authorize the Board President to sign the Confidentiality Agreement to Supplement JDCA between ID No.1, SYRWCD, CCRB, City of Santa Barbara, Goleta Water District, and Montecito Water District, subject to non-substantive changes if necessary.

He reported that the joint advocacy agency's management, staff and consultants are working on BA to meet the June 2013 deadline.

3. US Bureau of Reclamation – Water Supply and Contract Activities

- a) Master Contract Article 27 – Renewal Fund Consideration WY2013/2014

The Board packet included a March 28, 2013 Draft Cachuma Project Warren Act Trust Fund and Cachuma Project Renewal Master Contract fund, the Five Year Plan (WY2014-2018) and Annual Plan WY2014 for reference and discussion purposes.

Mr. Dahlstrom provided a review of the Trust Fund/Renewal Fund and explained that the two separate funds that have been established through separate contracts with the US Bureau of Reclamation. Mr. Dahlstrom reviewed the draft document and explained the Renewal Fund is funded only by the Member Units. Mr. Dahlstrom discussed the Five Year Plan (WY2014-2018) and the Annual Plan WY2014. The Board briefly discussed the plan(s). The Renewal Fund WY2014 is \$242,912.00, with the District's 10.31%

proportionate share of \$25,044. Mr. Dahlstrom recommended approval of the five year plan and the annual plan.

After a brief discussion, it was MOVED by Trustee Beebe, seconded by Trustee Poor and carried by a unanimous voice vote to approve the Renewal Fund Annual Plan for WY2014 and the Five Year Plan WY2014-2018.

B. Cachuma Operation and Maintenance Board (COMB)

1. Report on Board Meeting

The Board packet included the March 25, 2013 agenda, and the Board handout materials included Trustee Beebe's April 15, 2013 memo regarding topics discussed at the monthly meeting for reference and discussion.

Trustee Beebe provided a verbal report on the items discussed at the March meeting.

C. Los Olivos Wastewater

1. District Involvement, LAFCO and Groundwater Quality

Mr. Dahlstrom reported that this item was placed on the agenda at the request of Trustee Carroll. Trustee Carroll explained that she and Assistant General Manager, Mr. Eric Tambini, met with the Los Olivos Business Owners (LOBO) to discuss the wastewater issue in Los Olivos. Trustee Carroll provided a summary of the topics discussed at the meeting. Mr. Dahlstrom explained that this topic would be subject to and under LAFCO's jurisdiction. After a brief discussion, the Board agreed that there would be no further action from the District related to the inquiry by LOBO and the wastewater issue until a letter is received from LOBO explaining what their needs and requests are from the District's participation, if any.

X. REPORTS BY THE BOARD MEMBERS OR STAFF, QUESTIONS OF STAFF, STATUS REPORTS, ANNOUNCEMENTS, COMMITTEE REPORTS, OBSERVATIONS AND OTHER MATTERS AND/OR COMMUNICATIONS NOT REQUIRING ACTION

The Board packet included a March 29, 2013 letter from Carpinteria Valley Water district dated March 29, 2013 announcing the sale of 280 AF of State Water for reference and discussion. Mr. Dahlstrom stated that the City of Solvang is interested in purchasing State Water, although they are not a project participant and cannot purchase the water without the action by ID No.1. Mr. Dahlstrom stated that he would be contacting Mr. Brad Vidro to explain the process that must be followed to purchase the water and provide assistance to make the transaction occur. The Board expressed the need to assist the City in securing water.

The Board packet included an April 12, 2013 Tri-County Fish team meeting agenda for reference and information.

The Board packet included an April 9, 2013 Cachuma Lake Oak Tree Restoration Program Field Status Report for reference and information.

The Board packet included a March 13, 2013 Santa Barbara County estimate for FY2013/2014 Cloudseeding program. Mr. Dahlstrom reported that he would be contacting the County to suggest a ground seeding only program to keep costs down. He would provide further information as it becomes available.

XI. APPROVAL OF ACCOUNTS PAYABLE

The warrant list was provided in the handout material for Board action. The warrant list covers warrants 16806 through 16886, for the time period of March 20, 2013 through April 16, 2013 in the amount of \$284,740.20.

Trustee Beebe MOVED to approve the warrant list as presented. Trustee Musgrove seconded the motion and was carried by a 5-0 unanimous voice vote.

**XII. REQUESTS FOR ITEMS TO BE INCLUDED ON THE NEXT REGULAR MEETING AGENDA:**

There were no requests from the Board.

**XIII. CORRESPONDENCE: GENERAL MANAGER/SECRETARY RECOMMENDS THE ITEMS NOT MARKED WITH AN ASTERISK (\*) FOR FILE**

The correspondence list was reviewed and discussed by the Board.

**XIV. NEXT REGULAR MEETING OF THE BOARD OF TRUSTEES:**

Mr. Dahlstrom stated that the next Regular meeting of the board of Trustees is scheduled for May 21, 2013.

**XV. CLOSED SESSION:**

Mr. Kvistad stated that there was no need for a closed session on Agenda items XV.A.& B. at this time. No Closed session was held.

**A. CONFERENCE WITH LEGAL COUNSEL - EXISTING LITIGATION**

[Subdivision (a) of Section 54956.9 of the Government Code]

1. Name of Case: Adjudicatory proceedings pending before the State Water Resources Control Board regarding Permits 11308 and 11310 issued on Applications 11331 and 11332 to the United States Bureau of Reclamation and complaints filed by the California Sport fishing Protection Alliance regarding the operating of the Cachuma Project and State Board Orders WR73-37, 89-18 and 94-5; and proposed changes to the place of use of waters obtained through aforementioned permits for the Cachuma Project

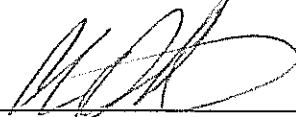
**B. CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION**

Initiation of litigation pursuant to, [Subdivision (c) of Section 54956.9 of the Government Code - 2 cases]

**XVI. ADJOURNMENT:**

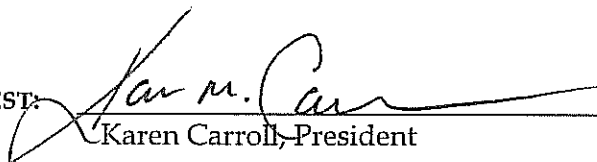
Being no further business, it was MOVED by Trustee Musgrove, seconded by Trustee Beebe and carried by a 5-0 unanimous voice vote, to adjourn the meeting at 9:13 p.m.

RESPECTFULLY SUBMITTED,



Chris Dahlstrom, General Manager/Secretary

ATTEST:



Karen Carroll, President