

**MINUTES OF THE REGULAR MEETING OF
THE BOARD OF DIRECTORS OF THE
CARPINTERIA VALLEY WATER DISTRICT**

December 19, 2007

President Lemere called the regular meeting of the Board of Directors of Carpinteria Valley Water District to order at 3:00 p.m. Wednesday, December 19, 2007.

Directors Present: Lemere, Roberts, Lieberknecht, Drain
Directors Absent: Van Wingerden
Others Present: Charles Hamilton
Norma Rosales
Suzie Lara
Bob Mc Donald
Omar Castro
Alex Keuper
Chip Wullbrandt
Laura Copple
Jack Ruskey
Bert Bertrando
Steve Tanner

MINUTES

Following discussion, Director Roberts moved and Director Drain seconded the motion to approve the minutes of the December 5, 2007 Board meeting. The motion carried by a 4-0 vote.

MONTHLY BILLS

Following a brief overview presented by Business Manager Norma Rosales, and discussion, Director Drain moved and Director Lieberknecht seconded the motion to approve the monthly bills for the period of November 15, 2007 through December 20, 2007. The motion carried by a 4-0 vote.

**FINANCIAL -
MONTHLY
STATEMENTS**

Following discussion, Director Roberts moved and Director Lieberknecht seconded the motion to approve the monthly statements for November 2007. The motion carried by a 4-0 vote.

PUBLIC FORUM

No one from the public addressed the Board.

OLD BUSINESS

**LETTER FROM CHIP
WULLBRANDT OF
PRICE POSTEL &
PARMA RE:
REPRESENTATION
OF GOLETA WATER
DISTRICT AND
POSSIBLE BOARD
RESPONSE**

General Manager Hamilton read aloud sections from the Board minutes of September 28, 2005 addressing the Board's hiring of Katherine E. Stone as special counsel for services related to Rancho Monte Alegre and matters related to Montecito Water District, and the January 17, 2007 Board minutes reflecting Board discussion about counsel Wullbrandt's serving as interim legal counsel for Goleta Water District. He then suggested that in response to Mr. Wullbrandt's letter dated December 12, 2007, that the Board take action to provide counsel Wullbrandt and Price Postel & Parma written consent to counsel Wullbrandt's serving as general counsel for Goleta Water District and further extend the scope of services for special counsel Katherine Stone

to include matters relating to Goleta Water District for which independent counsel is deemed necessary. Following presentations made by Bert Bertrando, a Goleta Water District Board Director, and Jack Ruskey, a Goleta Water District grower, comments by Counsel Wullbrandt and discussion, Director Drain moved and Director Lieberknecht seconded the motion to prepare a letter to Price Postel & Parma for the Board President's signature giving written consent for counsel Wullbrandt to serve as Goleta Water District's general counsel and continue to serve as Carpinteria Valley Water District's general counsel, and to further expand special counsel Katherine Stone's scope of services to include matters involving Goleta Water District when independent counsel is deemed necessary. The motion carried by a 4-0 vote.

NEW BUSINESS

BARTLETT PRINGLE & WOLF, LLP MANAGEMENT LETTER DATED NOVEMBER 26, 2007

Mr. Hamilton distributed copies of the management letter dated November 26, 2007 prepared as part of the 2007 annual audit report by Bartlett Pringle & Wolf and the Manager's memorandum of response dated December 17, 2007 for discussion. Business Manager Norma Rosales discussed the memo with the Board, identifying specific significant deficiencies, material weakness and control deficiencies and District responses. Comments were also made by Laura Copple of Bartlett Pringle & Wolf.

AUDITED FINANCIAL STATEMENTS PREPARED BY BARTLETT PRINGLE & WOLF, LLP FOR FISCAL YEAR ENDING JUNE 30, 2007

Laura Copple of Bartlett Pringle & Wolf presented the audited financial statements for the fiscal year ending June 30, 2007. As part of the management discussion of the report, Business Manager Rosales presented additional graphs comparing budget to actual revenue and expense. Following discussion she was directed to revise these charts to reflect the total District revenue and expense budgets including debt service. Following discussion, Director Lieberknecht moved and Director Drain seconded the motion to accept the audited financial statements, as amended, for the fiscal year ending June 30, 2007 as prepared by independent auditor Bartlett Pringle & Wolf, L.L.P. The motion carried by a 4-0 vote.

RESOLUTION NUMBER 862 TO ESTABLISH AN ELECTRONIC CHECK POLICY

In response to one of the control deficiencies addressed in the current audit, Mr. Hamilton presented draft Resolution No. 862 to establish an electronic check policy. Following discussion Director Roberts moved and Director Drain seconded the motion to approve Resolution No. 862 Establishing an Electronic Check Policy.

Roll call on Resolution No. 862 resulted as follows:

Ayes: Lieberknecht, Drain, Lemere, Roberts

Nayes: None

Absent: Van Wingerden

Abstain: None

The motion carried by a 4 – 0 vote.

AGREEMENT AND ELECTION OF CARPINTERIA

Business Manager Rosales, noting the past steps taken by the Board to address the District's unfunded liability associated with "Other Post Employment Benefits," with the Manager's concurrence, recommended that

VALLEY WATER DISTRICT TO PREFUND OTHER POST EMPLOYMENT BENEFITS THROUGH CALPERS

the Board enter into an agreement with CalPERS to enable the District to utilize the CalPERS Retiree Benefit Trust Program to provide the District with a vehicle for managing its liability. Following discussion, Director Roberts moved and Director Drain seconded the motion to authorize the Board President to execute the Agreement and Election of Carpinteria Valley Water District to Prefund Other Post Employment Benefits Through CalPERS. The motion carried by a 4-0 vote.

RATE & BUDGET COMMITTEE MEETING HELD ON DECEMBER 12, 2007

Mr. Hamilton reported that the Rate & Budget Committee met on December 12, 2007 to consider a variety of matters as shown on the Committee agenda.

PROPOSED TIERED WATER RATES

Dr. Alex Keuper distributed a memorandum identifying tiered water rate proposals under consideration for discussion by the Board. Following discussion, no action was taken.

PROPOSED RECLASSIFICATION OF HOTELS/MOTELS AS MASTER METERED RESIDENTIAL MULTIPLE DWELLING UNITS

Mr. Hamilton requested direction on one of the proposed water rate changes involving the re-classification of hotel and motel units (rooms) as residential for purposes of applying the Capital Improvement Program (CIP) charge. He noted that it would significantly increase the charge for motels operating in the Carpinteria Valley, and result in a decrease of the charge for all other residential units. Following discussion Mr. Hamilton was directed to invite representatives of the hotels and motels to the next Rate & Budget Committee meeting at which this matter would be further discussed.

PROPOSED STATE WATER SALE TO GUADALUPE

Mr. Hamilton reported that staff is taking steps to enable Guadalupe to take action on the proposed sale of 400 AF of this District's State Water Allotment no later than March 1, 2008.

TY WARNER HOTELS & RESORTS LLC REQUEST FOR PROPOSAL AND RESPONSE

Mr. Hamilton distributed copies of his letter response to Ty Warner Hotels & Resorts request for a proposal to provide a water supply for the golf course. He noted that it contains the basic terms currently offered to Guadalupe. President Lemere commented that he would have preferred the matter be reviewed first by the Board. Mr. Hamilton responded that Warner's December 15 deadline for proposal submission was the problem in scheduling timely Board review.

CATER TREATMENT PLANT CAPITAL COST SHARING FOR ADVANCED TECHNOLOGIES PROJECT AND PROPOSED APPROACH

Mr. Hamilton distributed copies of a draft letter from the Board President to be sent to the City of Santa Barbara relative to the question of continued use of a 1978 joint powers agreement addressing cost sharing formula for Cater Treatment Plant improvements. Director Roberts requested additional information about actual water passing through the Treatment Plant being distributed to the City of Santa Barbara, Montecito Water District and Carpinteria Valley Water District. Following discussion, and revisions to the letter, Director Roberts was appointed by President Lemere to represent the Board should an inter-agency committee be formed to review this matter.

UNBUDGETED FIRE HYDRANT REPLACEMENT

Mr. Hamilton reported that action was needed to replace fire hydrants recently identified as beyond repair and non-functioning. Omar Castro, Operations and Maintenance Manager, reported that the total estimated cost

COST	might be as high as \$40,000, utilizing a contractor to do the work. Discussion followed about the possibility of cost sharing with the Fire District. Mr. Hamilton was then directed by President Lemere to send a letter to the Fire District notifying them of the Board's desire to consider a cost sharing approach for hydrant replacement and further directed the Manager to take the necessary steps to replace the non-functioning hydrants in an expeditious manner.
PROPOSED RATE & BUDGET SCHEDULES	Mr. Hamilton distributed copies of the proposed Rate & Budget meeting schedule and Proposition 218 hearing process for 2008, noting the times and dates of two Board meetings to be held at Carpinteria City Hall.
DRAFT JANUARY H2KNOW NEWSLETTER	Mr. Hamilton distributed copies of the draft January H2KNOW newsletter and received suggestions for changes.
GENERAL MANAGER'S REPORTS	
OPERATIONS AND MAINTENANCE - MONTHLY REPORT	Mr. Castro presented the Operations and Maintenance report for the month of December 2007. Discussion followed about the need to find monies in the current budget if possible to complete needed unbudgeted emerging capital improvements and /or repairs without requiring the use of reserve funds. Mr. Hamilton reported that he would report back to the Board about re-prioritizing some budgeted items to accommodate more pressing needs.
HEADQUARTERS WELL FAILURE AND REPAIR STATUS	Steve Tanner of Pueblo Water Resources made a presentation about the Headquarters Well broken shaft and failure. He noted that misalignment of the well and pump has been ruled out, but that other possible causes of failure need further investigation. Directors expressed great concern about this matter and the need for a prompt resolution. They will be apprised of any progress at the next Board meeting.
ENGINEERING - WATER SUPPLY	District Engineer Bob McDonald presented the November 2007 Water Supply report, noting that adequate water supply inventory is being carried forward into the new Cachuma water year.
PROJECT STATUS REPORT	Mr. McDonald presented the Project Status report for the month of December.
IRWMP/ PROPOSITION 50 GRANT FUNDING APPLICATION	Mr. McDonald reported on the status of the District application for Proposition 50 grant funds. Letters of support for the District's El Carro Well Replacement and Pipeline Project, to be funded in part by Proposition 50, will be solicited from members of the community and other agencies.
CARPINTERIA VALLEY MANAGERS MEETING HELD ON DECEMBER 4, 2007	Mr. Hamilton reported on the Carpinteria Valley Managers meeting held on December 4, 2007, and the transition occurring at the Fire District with Chief Tom Martinez' retirement. Mr. Hamilton distributed copies an article from the <u>Santa Barbara Independent</u> about disaster preparedness in the Montecito community. He suggested that the Montecito Emergency

Response & Recovery Action Group (MERRAG), the topic of the Independent article is possibly a good model for what should be proposed in the Carpinteria Valley. Following discussion, President Lemere directed Mr. Hamilton to propose to the managers group that each agency consider a cost sharing concept to possibly fund a local consultant to lead the formation of a structure similar to MERRAGE for the Carpinteria Valley.

**CAPITAL
IMPROVEMENT
PROGRAM**

**ORTEGA
RESERVOIR-**

Mr. Hamilton had nothing new to report on this item

**FOOTHILL
RESERVOIR - DIESEL
FUEL SPILL CLEAN
UP STATUS**

Mr. McDonald presented a status report on the process and projected costs of clean up of the 200 gallon diesel fuel spill originating in the District's pump station in back of Foothill Tank. It is a matter of contractor responsibility, but in the meantime the District must pay for the clean-up costs.

**DIRECTORS
REPORTS**

**CENTRAL COAST
WATER AUTHORITY
BOARD MEETING**

Director Lemere gave an oral report of the Central Coast Water Authority Board meetings held on October 25 and November 11, 2007.

**CACHUMA
CONSERVATION
RELEASE BOARD /
CACHUMA
OPERATION AND
MAINTENANCE
BOARD MEETINGS**

Director Lieberknecht gave an oral report of the Cachuma Conservation Release and Cachuma Operation and Maintenance Board meetings held on November, 19, 2007.

**ACWA/JPIA FALL
CONFERENCE**

Directors Lemere and Lieberknecht gave oral reports on the ACWA/JPIA Fall conference, November 26 – 30, 2007 held in Indian Wells. Mr. Hamilton distributed copies of the ACWA Joint Powers Insurance Authority President Special Recognition Award given to the Carpinteria Valley Water District for achieving a low ratio of "Paid Claims and Case Reserves" to deposit Premiums" in the Property Program for the period 04/01/03 – 03/31/06, announced at the JPIA Board of Directors meeting.

NEXT MEETING

The next scheduled Board meeting will be a regular Board meeting held on January 9, 2007, at 4:00 pm in the Board meeting room at 1301 Santa Ynez Ave.

ADJOURNMENT

President Lemere declared the meeting adjourned at 6:26 p.m.



Charles B. Hamilton, General Manager/Secretary