



Board of Directors
Bruce E. Dandy, President
Sheldon G. Berger, Vice President
Lynn E. Maulhardt, Secretary/Treasurer
Mohammed A. Hasan
Catherine P. Keeling
Gordon Kimball
Daniel C. Naumann

General Manager
Mauricio E. Guardado, Jr.

Legal Counsel
David D. Boyer

MINUTES

SPECIAL BOARD MEETING: BUDGET WORKSHOP

Wednesday, May 24, 2023, 9:00 a.m.

UWCD Headquarters' Boardroom

1701 N. Lombard Street, Oxnard CA 93030

Directors in Attendance

Bruce E. Dandy, president
Sheldon G. Berger, vice president
Lynn Maulhardt, secretary/treasurer
Mohammed A. Hasan, director
Catherine P. Keeling, director
Daniel C. Naumann, director

Directors Absent

Gordon Kimball, director

Staff in Attendance

Anthony Emmert, assistant general manager
Suparna Jain, legal counsel
Maryam Bral, chief engineer
Marissa Caringella, environmental services manager
John Carman, operations, and maintenance program supervisor
Dan Detmer, water resources manager
Sara Guzman, accountant II
Josh Perez, chief human resources officer
Zachary Plummer, technology systems manager
Kris Sofley, clerk of the Board
Clayton Strahan, chief park ranger
Brian Zahn, chief financial officer

Public in Attendance

Miles Hogan, City of Ventura

1. FIRST OPEN SESSION 9a.m.

President Dandy called the meeting to order at 9a.m.

A. Public Comment

Information Item

President Dandy asked if there were any public comments or questions. None were offered.

B. Pledge of Allegiance

Director Catherine Keeling asked everyone to join her in reciting the Pledge of Allegiance

C. Approval of Agenda

Motion

Motion to approve the agenda, Director Naumann; second, Director Berger. Voice Vote: six Ayes (Berger, Hasan, Keeling, Maulhardt, Naumann, Dandy); opposed none; absent one (Kimball). Motion carries unanimously.

2. FY 2023-24 Proposed Budget Workshop

Motion Item

United Water Conservation District's Chief Financial Officer Brian Zahn greeted the Board and began his slide presentation. (see attached slides) He started by explaining the budget development process, which he said starts every December. In March, he continued, the leadership team spent three weeks reviewing line items and adjusting dollar amounts in accordance with the anticipated needs of the District. By May, Mr. Zahn said, the proposed budget is being finalized and presented to the District's OH and PTP users as well as outside agencies such as the Pleasant Valley County Water District and various municipalities. Mr. Zahn said that by June, the final budget will be adopted by the Board.

Mr. Zahn then presented a year-to-year comparison of revenue for the District, including property tax fees for State Water purchases, which he added paid for 100 percent of the District's recent State Water Purchase from Casitas Water District. Mr. Zahn mentioned that pipeline deliveries were lower than anticipated, as OH and PTP users were engaged in conservation and Oxnard and Ventura end users were also doing their part to conserve water. He added that many PTP users have adopted drip irrigation and selective crop rotation which also reduces their water usage, and that M&I water usage was also less than last year.

Director Naumann asked if the DWR \$1 million grant helps with revenue for FY 2023-24 and Mr. Zahn replied that some of the funds are underfunded; and more grants are important for revenue and reduce groundwater rates for the District's customers. Director Naumann asked if the property tax boundaries were same and Mr. Zahn replied that property values, when assessed at lower values, reduces revenue and that interest rates are important, and they help revenue increase and stabilize.

Mr. Zahn discussed rate analysis, stating that Ventura's legal action, which was settled in August 2022 when the District lost its appeal, meant that the District had to revisit its groundwater rate formula. He said the District hired an outside consultant who reported that the District's rate structure was sound and that the zones made sense. Previously, State Water Code held a 3 to 1 ratio, which was rejected by the Court, so the District adjusted its rate formula to 1. to 1.12 He added that some people like the City of Oxnard and the City of Ventura were not required to pay the property tax that helps the District fund State Water purchases.

Director Berger asked what the .12 encompasses in the 1 to 1.12 formula. Mr. Zahn asked UWCD Water Manager Dan Detmer to explain. Mr. Detmer said the .12 difference is the benefit to Ag versus urban users. This concept was raised by Ventura in its Court case, and the difference accounts for the return flow between Ag and M&I uses. He added that it was a technical number explained in the 10-year technical memorandum and that the 1 to 1.12 formula was embraced by Ventura and the Court.

Director Naumann asked if that formula was based on yearly benefits. Mr. Detmer said it's consistent

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for wet and dry years, and various farming practices, so the formula can apply year to year without change.

Director Maulhardt asked if the settlement judge reviewed the District's analysis for rate setting and inquired that if the Board passed this, would it have the funds to handle the judge's ruling. He asked if the judge has jurisdiction over the process, if the court has to approve the District's rates and how the District is protected with passing the budget.

Mr. Zahn explained that the District partnered with Ventura who agree with the formula, stating the Mile Hogan, Ventura's Senior Assistant City Attorney agrees with this approach. Director Naumann asked if Oxnard was in agreement.

Miles Hogan addressed the Board, identifying himself as from the City Attorney's office for the City of Ventura, and stated that the current rate structure being used by United complies with the Court in the opinion of the City of Ventura and if adopted, the City of Ventura would not challenge the rate which means the Court could not revisit the case. Mr. Hogan stated that the City was happy to meet with other cities and is pleased that United Water has taken this approach and believes we can all move forward without dispute in the future.

Director Maulhardt added that the judge only sees the rate formula if someone cries foul. Mr. Zahn replied that the District has presented the formula and rates at several meetings and there has been no push back and he is not aware of any other legal action. District's legal counsel Suparna Jain added that the Court maintains jurisdiction but only acts if rates are contested.

Mr. Hogan added that the City supports the different rates based on ag recharge and the new Zone S means the City will now be contributing to the State Water fund. Director Berger said that seven or eight conservation districts have been impacted by this lawsuit and the 1 to 1.12 formula is not state-wide, so other districts will have to set their own rate, as there is no 3 to 1 ratio any longer.

Mr. Zahn reiterated that the rate analysis was strictly for UWCD and proceeded to show the modest rate changes for FY 2023-24 using the 1 to 1.12 ratio. He added that the surcharge for the State Water Fund was simplified with a flat rate of \$10 per acre foot, same rate for everyone, which would yield approximately \$1.5 million in revenue.

Director Naumann asked if that money would be used to purchase Table A and Article 21 water. Mr. Zahn said that extra money has been set aside to cover all the contracted water and that now the bigger problem is where to put the water.

Mr. Zahn then covered the proposed changes to FY 2023-24 groundwater extraction and surface delivery rates. He said that a Zone S has been created which will fund State Water Project purchases, and that due to a well replacement, OH pipeline rates have increased. There are no changes to the PV charges. Director Naumann made some comments about the PTP system, mainly that customers were using their own wells rather than the turnouts. Mr. Zahn said that the PTP Fund requires a \$1million reserve, which is required for each year, and due to repairs, which were paid out of the reserve fund, there will be a small increase in PTP rates, a minor change, and it should take about three years to bring the fund into balance with the reserve.

Director Hasan asked if the PTP Fund is managed as an Enterprise fund with the reserve separate. Mr.

Zahn replied yes that the PV and OH are contractually driven. PTP has increased every year due to ongoing repairs.

Addressing groundwater, Mr. Zahn said that due to the wet year, budgeting for groundwater use was very conservative. He said staff used a five-year average, and then budgeted for a bit less than that.

Personnel Costs, according to Mr. Zahn's slides, will increase by 7.4 percent for regular salaries, part-time salaries are projected to increase by 45.9 percent, overtime salaries and employee benefits increase by 8.9 and 8.7 percent respectively. The budget figures for personnel costs also include four new staff positions, a 4 percent cost of living increase, an increase in medical coverage, full-time employees and promotions. This represents an increase of \$1.4 million. Director Maulhardt told Mr. Zahn that with dry years, revenues are high, and wet years, the demand for water is less, but staff needs to be careful in making assumptions. Mr. Zahn replied that the proposed budget was published in April, and he didn't know Castaic water would be coming in then. Director Hasan asked how personnel costs were calculated and Mr. Zahn explained that the costs were based on full-time employees. Chief Human Resources Officer Josh Perez jumped in and said that part-time and regular employees are reviewed for the number of hours worked, but not including benefits and other related costs and in the actual budget these costs are all broken out as line items.

On Capital Equipment costs, Mr. Zahn reported an \$800,000 difference from last year to this year's budget. Mr. Zahn explained that lead time for the equipment used by O&M is difficult, with many costly delays in equipment delivery, so O&M has been purchasing enough spares to be able to quickly address repairs and replacement of equipment so that they are prepared for situations that are most likely to occur. He added that there is a purchase of a water truck included in the budget, but said it was a used vehicle. Director Maulhardt asked what the Checkpoint Enterprise cost was related to, and Mr. Perez explained that the costs were included in previous budgets as several security and cybersecurity items, but for this budget, the various items were all grouped into one line-item cost under cybersecurity for email, servers, etcetera. President Dandy asked if there were any impacts on security relating to artificial intelligence (AI) and Josh replied that he and the IT and Security staff were looking at potential issues that have come to light in the last few months, including training for staff, too. He said that Microsoft teams were working on these issues as well.

Director Maulhardt stated that, for the public's clarification, the top 3 items on the Capital Equipment list were consistent with Board and Engineering and Operations Committee discussions; some equipment that is vital to the District's operations have a massive lead time and by having spares in position, at the ready, potential repairs and replacements can be done quickly without interrupting operations. Director Berger added that as the District grows its operation, it is especially important to keep the District running at current levels and that Capital procurement is a drop in the bucket to operations as they continue to grow. Director Maulhardt agreed and added it is consistent with proactive management.

Mr. Zahn then addressed Capital Improvement Projects (CIP) in the process of being constructed. He said that CIPs increase year over year from \$2.2 million to \$16.8 million (a 14.9 percent increase) and FY 2023-24 projects include the expansion of the Freeman Diversion (\$3.7 million), the beginning of design and construction of the Santa Felicia Dam project (\$2.5 million) and the Extraction Barrier Brackish Water (EBB Water) project at \$7.4 million. Mr. Zahn said these projects

range from \$50 million to \$100 million for a few years. Director Maulhardt stated that the Board has reviewed the CIPs and \$700 million in Capital Improvements for the District is a lot of money but half of that amount is due to federally mandated changes that do not produce one drop of water. He added that EBB Water, budgeted at \$387 million, is the only real project that has the capacity to produce “new” water. Mr. Zahn added that the Santa Felicia Dam project is finalizing its WIFIA loan, which should be completed in June or July and will fund the finishing design work for the project.

In summary, Mr. Zahn said the District has \$16 million in cash reserves, there are small changes to the Overhead fund and the general, PTP and Freeman funds are all lower. Director Keeling said that it might be helpful for the District to publish explanations, such as Federally mandated expenses, on the website or through a mass mailing to help with transparency and she also suggested sharing an explanation on the change from the 3 to 1 to 1 to 1.12 rate formula as well as why Ag pays a different rate than M&I. Mr. Zahn said that staff will be making budget presentations to the City of Santa Paula and Fillmore and has already made presentations to OH and PTP Users and the PVCWD. Director Naumann suggested updating the District’s mailing list.

President Dandy asked Mr. Zahn about the District’s Bond rating. Mr. Zahn replied that he believed it was at A-, which is bumped up a bit. He added that S&P examined the District’s activities and even attended its Water Sustainability Summit, which may have contributed to the bump up in the District’s bond rating. He also stated that other water agencies received a decrease in their rating recently.

Director Hasan stated that information on the website should be presented simply, dumb it down as much as you can, and he suggested including how much grant funding contributes to project costs. He also asked Mr. Zahn to confirm that next year there would be more rainfall, to which Brian Zahn replied that he met with Water Resources and looked into their crystal ball, but he is not prepared to say that next year will be a duplication of the rainfall received this year, more likely to be a normal rainfall year. Mr. Emmert interjected that the budget is reflective of a conservative estimate of water use, including less groundwater pumping; runoff will be good even if it is an average rainfall year because the ground and watersheds are saturated. He explained that saturated watershed increases water capture, and the more proactive operations are, the more water that can be captured.

Policy Changes proposed by Mr. Zahn included an amendment to the Emergency declaration and expense policy, eliminating language stating that when an unbudgeted expenditure greater than \$50,000 has been made during an emergency, the appropriation will be presented to the Board of Directors at their net regular meeting. Director Maulhardt said he agreed with the strikeout (deletion of that language) and trusted in the operations. President Dandy asked if a greater amount should be included, and Brian Zahn said the GM’s signing approval for budgeted items is \$250,000.

Regarding District policy for budget transfers, Mr. Zahn proposed raising the not-to-exceed appropriations amount from \$25,000 to \$75,000 with the approval of the CFO. Line-item transfers should be raised from between \$25,000 and \$100,000 to between 75,000 and \$200,000 with the approval of both the CFO and GM and that transfers request over \$100,000 should be changed to over \$200,000 and will still be presented to the Board for consideration and approval. Director Hasan said that the Finance Committee should be notified as an information item, and Board notification for anything over \$200,000. Director Maulhardt agreed that the Finance Committee should be notified of any transfers between \$75,000 and 200,000; and anything over \$200,000 needs to be brought to the Board.

Regarding Budget Submittal policy, Mr. Zahn recommended that the existing policy should be eliminated

the language: “The City of San Buenaventura has sued the District concerning these and other legal issues in connection with the District’s groundwaters, and such issues are being addressed in litigation.” Mr. Zahn explained that since the lawsuit has been settled and Ventura is supporting the District’s new rating setting formula, this doesn’t need to be included in official policy. Most of the Board voiced their support of this.

Mr. Zahn advised the Board of a change in mileage reimbursement expense policy as the IRS’s current mileage reimbursement rate is .655 cents per mile, while the District’s policy stated .585 cents per mile. No objections were voiced.

The proposed changes for the Engineering Projects Quality Based Selection (QBS) process caused a great deal of discussion, questions and opposition from the Board. Mr. Zahn invited Chief Engineer Maryam Bral to explain the suggested policy changes. She explained that the revised policy would include fees with the proposal, current policy dictates that fees be submitted in a separate and sealed envelope. She also suggested updates be made to how to rate and rank RFPs internally. Director Maulhardt challenged the language that said “do not share the final table (for ranking purposes) with anyone outside of the selection panel” as he believed the selection process is part of the public record. Legal Counsel Suparna Jain said that anyone still has the right to request the documents that helped factor in the decision, excluding proprietary information, as part of the Public Records Act.

Director Maulhardt said the QBS process of awarding contracts has been used for a long time and is supposed to ensure that everything is fair, transparent and that there is no funny business going on and stated that the proposed changes to the policy set more traps for not following the process. Ms. Jain said that the District must inform staff and the public as to the process, not to limit transparency, and the language could be modified to clarify “during the rating process...” Director Hasan asked for clarification between the internal process and the legal process. Director Maulhardt said that he is not opposed to policy, and that laying out a policy of procedural steps to follow is fine, but the way this is stated...it needs to be clear that this is protocol, maybe with a preamble or guidance statement. Director Berger stated that this policy change was over complicated and created more issues than necessary. He had a problem with the variables that cannot be defined and believes this opens the door to lawsuits. He recommended simplifying the language and being very clear. As presented, he stated nobody understands what you want us to do and the whole thing needs to be redone and brought back to the Finance Committee for review before the next Board meeting. Director Hasan agreed that the language needs to be simplified and reminded everyone that the QBS is constantly changing. Mr. Emmert stated that staff has heard the Board’s comments and understand that Bidders want a clear process and discretion during the process, but sharing information after the selection process has been concluded is necessary. He added that staff would redraft the proposed changes and bring them back to the Finance and Audit Committee. Director Maulhardt added that the strikeouts (deletion of language) are correct, but the whole policy needs to be clarified and stated more simply. President Dandy said that he supports the changes. Director Maulhardt said he supports Mr. Emmert’s recommendations to redraft and bring it back to the Finance and Audio Committee.

In explaining the minor change to the District’s procurement policy for quotations for goods, services and equipment, professional service and public works projects, Mr. Zahn said staff was trying to qualify the exception to the lowest responsible bidder by adding the language “unless there is a compelling reason to go with another bidder.” Director Maulhardt questioned lowest “responsible”

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bidder and said that what about timeline for delivery, met all criteria. Director Hasan said the Board shouldn't be micromanaging the situation. President Dandy said he found this to be satisfactory. Ms. Jain asked if staff could explain why the proposed changes were made and what staff was attempting to do, what result were they hoping to reach. Director Maulhardt said that this is the purpose of the workshop, raising concerns. Mr. Zahn said he was asking for direction from the Board. President Dandy asked Mr. Zahn to revise the language and bring it back to the Finance and Audit Committee.

Another proposed policy change was related to procurement and the utilization of purchase orders. Mr. Zahn wanted to add language which stated "If a purchase order has not been fully utilized by the end of the year, the owner may request that the PPO be rolled over to the next year to accommodate expenses that come in the next fiscal year. The owner must notify Finance and the purchase order will be rolled over. If Finance is not notified, the open purchase order will be closed out at year end. Purchase orders can only be rolled over a maximum of three consecutive years." Director Hasan asked why three years. Mr. Zahn replied that in the past, year over year rollovers have gone for up to five years when the District is no longer using the PO or the consultant, and that he thought the Board would approve up to three years, but not past that.

Mr. Zahn then showed the Board the new additions to District credit card authorizations, which none of the Board objected to. Mr. Zahn asked if the Board had any additional directions. Director Hasan stated that he had made his comments and thought the Board had provided good input to staff and that he appreciates the work that staff is doing. Mr. Zahn said he would bring the two policy changes back to the Finance and Audit Committee in June.

President Dandy asked if there were any additional comments or questions. None were offered.

3. ADJOURNMENT 10:32a.m.

President Dandy adjourned the meeting at 10:32a.m. to the **Regular Board Meeting scheduled for Wednesday, June 14, 2023**, or call of the President.

I certify that the above is a true and correct copy of the minutes of the UWCD Board of Directors meeting of May 24, 2023.

ATTEST: 
Lynn E. Maulhardt, Board Secretary

ATTEST: 
Kris Soley, Clerk of the Board