



OJAI VALLEY SANITARY DISTRICT

A Public Agency

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MINUTES OF FINANCE COMMITTEE

The Finance Committee held a meeting at the District Office, 1072 Tico Road on April 3, 2015 beginning at 11:00 a.m.

COMMITTEE MEMBERS PRESENT: Peter M. Kaiser
William C. Murphy
John R. (Randy) Burg, Chairman

COMMITTEE MEMBERS ABSENT: None

STAFF PRESENT: Jeff Palmer, General Manager
Brenda Krout, Administrative Officer
Ronald E. Sheets, Operations Superintendent

OTHERS PRESENT: Howard Smith, MorganStanley SmithBarney

1. **Public Comment - (Items not on the agenda - 3 minute limit)**

None

FOR DISCUSSION & RECOMMENDATION

2. **Quarterly Review of District's Investments**

Howard Smith of Morgan Stanley addressed the Committee presenting an overview of the District's investment portfolio.

Mr. Palmer reviewed the District's investment returns over the past quarter, noting that the performance continues to be low; however, it remains much better than LAIF returns for the same period.

Mr. Smith discussed the trends and forecast for the national economy, reminding the Committee that the District's portfolio contains only bonds, noting that the bond market remains the most secure investment.

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Mr. Smith responded to questions from the Committee.

The Committee unanimously supported presenting a recommendation to the Board to continue on the current course with the District's investments.

3. **Rate Study Results**

Mr. Palmer reviewed the draft results from the Study being performed by Raftelis Financial Consultants, Inc. Mr. Palmer noted that the result of this Study is a financial planning tool for the District. The report concludes that the majority of the District's costs (in excess of 90%) are fixed costs and do not change based on the amount of flow coming through the system.

Mr. Palmer shared charts from the draft Study which looked at the District's Capital Improvement Plan (CIP), I&I repairs and repairs/modifications related to the TMDL issue over the next 10 years. Mr. Palmer noted that pay-as-you-go versus a debt issue saves the District a considerable amount of money over the 20-30 year life of a typical bond issue.

The charts displayed the effect of continuing a pay-as-you-go approach to CIP projects without any rate increase; the reserve balances will dip to very low balances. Mr. Palmer reported that staff is evaluating developing options for increasing revenue in order to maintain the financial health of the District. One projected revenue source is the potential of getting additional connections from properties currently served by septic systems; the nutrient TMDL regulations have identified septic waste as contributors to this issue in the Ventura River Watershed. Mr. Palmer also stated that staff will continue to investigate the availability of grants for District projects.

The Committee discussed the District developing a policy establishing target balances for the District's reserve funds. The Committee requested the topic of establishing limits for the reserve balance be on a future Committee meeting agenda for discussion.

Bob Daddi, local resident and Chairman of the City of Ojai's Building Appeals Board, addressed the Committee. Mr. Daddi requested the Committee investigate the District's authority to implement a lateral inspection requirement at the point of sale similar to the program the City of Ventura has implemented. Mr. Daddi expressed his support of the District moving forward to implement a lateral inspection program and to be aggressive with the implementation of the District's unpermitted connection program. Mr. Daddi stated he would like to see the District reach maximum enforcement of these programs instead of raising rates.

Mr. Palmer noted that Raftelis will be finalizing the Study in time for the results to be included in the upcoming budget cycle.

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FOR DISCUSSION & REVIEW

4. **Costs Related to Private Sewer Lateral Program**

Mr. Palmer reported that staff has been conducting a soft roll out of a Private Sewer Lateral Program (PSL) with the use of door hangers on a few properties where the collection system crew identified problems with a lateral during the crew's routine line cleaning/CCTVing of the mainline. The property owner is given a photograph of their lateral as it comes into the mainline, followed by a letter requesting they address their lateral problem/s. This process has ended up creating a good interface between District staff, property owners and local plumbers; this has been a good practice for implementation of the upcoming PSL ordinance. This activity has also confirmed that implementation of a PSL is going to require a lot of staff time.

Staff is recommending that two new positions be added to District staff beginning with the 2015-16 fiscal year. These two positions are: Project Manager and Inspector. The Project Manager will be managing regulatory issues and the Inspector will be assisting the District's current Senior Construction Inspector with the increased inspection demands. This increased staffing will require additional staffing space. The addition of the two positions and the additional staffing space will add cost to the budget. The Committee discussed the need for these two positions.

Mr. Palmer stated that staff will proceed with developing a full report on the additions of these two positions to be presented to the Board during the upcoming budget process.

5. **General Discussion**

- a. Audience
None
- b. Committee Members
None
- c. General Manager
None

The Finance Committee meeting adjourned at 12:04 p.m.

Minutes submitted by Brenda Krout, Clerk of the Board

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