



Carpinteria Valley Water District

1301 Santa Ynez Avenue • P.O. Box 578 • Carpinteria, CA 93014
Phone (805) 684-2816 • Fax (805) 684-3170

BOARD OF DIRECTORS

Frederick Lemere
President

June Van Wingerden
Vice President

Robert R. Lieberknecht

Matthew T. Roberts

James W. Drain

Received

JUL 6 2007

Santa Barbara
Grand Jury

GENERAL MANAGER

Charles B. Hamilton

June 20, 2007

Honorable Judge Rodney Melville
Superior Court
312-M East Cook Street
Santa Maria, CA 93455-5165

and

Santa Barbara County Grand Jury
Attention: Foreperson
1100 Anacapa Street
Santa Barbara, CA 93101

Re: Response to Grand Jury 2006 – 2007 Santa Barbara County Grand Jury Final Report dated May 8, 2007.

Dear Judge Melville,

The purpose of this letter is to provide responses of the Governing Board of the Carpinteria Valley Water District (CVWD) as requested for Findings 1 through 6 and Recommendations 1 through 4 contained in the Santa Barbara County Grand Jury Report dated May 8, 2007 entitled "Carpinteria Valley Water District - Is Improved Direction Needed?" Factual errors and incorrect statements contained in the report are also addressed in this response.

CORRECTIONS AND OMISSIONS

Page 1

Voters approved up to 2,700 acre feet of State Water, not 2,000 acre feet as stated in the report.

Page 2

CVWD's allocation of Cachuma water during the first year of a drought year based on the current understanding among the Cachuma member agencies would be 2,240 acre feet, not 1,540 acre feet, as stated in the report.

Page 3

The Table on p. 3 does not include private pumpage, and pursuant to the comment above, shows an incorrect amount of Cachuma water available in a drought.

Page 5

Contrary to the statement in the report that there is disproportionate cost allocation based on meter size to residential customers in favor of agricultural customers, all large diameter meters up through the 3 inch meter size, whether used by agriculture or any other customer class, are charged proportionately to their meter capacity. There are no Ag meters per se. Most of agriculture accounts are served by 1 inch (64 accounts), 1 ½ inch (78 accounts) or 2 inch meters (226 accounts). (See table below.) There is but one 4 inch meter serving agriculture. Charges for 4 and 6 inch meters, depending on the kind of meter, have varying flow rates. Their monthly service charges have therefore been established to realistically reflect an expected pattern of water usage. There are more of these large meters serving residential customers (one 4 inch, and four 6 inch) than agriculture (only one 4 inch).

Customer Class	Meter Size								TOTAL
	5/8"	3/4"	1"	1 1/2"	2"	3"	4"	6"	
Agricultural / Irrigation	22	64	78	226	32	1			423
Commercial	27	75	59	27	25	7		1	221
Industrial	1	3	5	4	40	7		1	68
Public / Municipal	1	10	6	7	29	1		2	56
Single-Family Residential	375	2462	143	49	118				3017
Multi-Family Residential	26	42	114	98	28	1	1	4	314
	430	2614	391	234	366	48	4	6	4093
	Service Size								TOTAL
Fire	2	3	46	47	12	2			112
* Temporary meters / CVWD meters not included in this count									4205

Contrary to the statement in the report that large meter users pay no more in Capital Improvement Program charges than smaller meter users, many do pay more because of multiple dwelling units or structures located on their property.

Page 6

Customers at higher elevations such as Shepard Mesa do not, as stated in the report, have higher monthly service charges due to costlier pumping. The pumping costs are attached to the unit cost of water and thus vary according to how much actual water (and electricity) is used.

Monthly service charges do not, as stated in the report, cover "labor costs, contractors, insurance, energy office supplies, etc." Most of these variable costs are attached to the unit cost of water.

The El Carro Well has not been repaired as stated in the report, but needs to be replaced, and replacement funds are currently available.

Page 7

The District has not stated, as asserted in the report, that annexation of Rancho Monte Alegre lands prevents owners from drilling wells. The annexation, through a memorandum

of understanding, ensures that no additional creek diversions will be pursued, and that the area's primary water system and service will be provided by the District, at no cost to the District.

The District, not the Ranch as stated in the report, owns a ten acre parcel within the Ranch upon which the tank is now located. The District has the option of constructing a second tank on this site in the future.

In response to neighbors concerns about the impacts of temporary truck traffic associated with the construction of the tank, the Ranch agreed to retain many of the large rocks and boulders displaced by the tank construction on the Ranch, and the District agreed to use and crush many of the rocks and boulders to eliminate the need to import backfill dirt, resulting in an estimated \$430,000 additional overall project cost.

The Findings and Recommendations set forth in this Grand Jury Report, together with the District's responses, are set forth below.

FINDINGS

Finding 1 The dedicated Carpinteria Valley Water District staff must respond to costly requirements and simultaneously deal with customer concerns about increasing rates.

Response to Finding 1: CVWD agrees with this finding. District staff has in the past and continues to perform today with dedication and sensitivity to both increasing costs and concerns by customers whose water rates are affected.

Finding 2 Debt service for capital projects and the State Water Project amount to 54% of the total budget.

Response to Finding 2: CVWD agrees with this finding.

Finding 3 Carpinteria Valley Water District monthly service charges are more than twice those for other local water Districts. This is partly due to the disparate charges between agriculture and residential users.

Response to Finding 3: CVWD agrees with the finding related to the comparison with other agency monthly service charges, but disagrees with the finding relative to disparate charges between agriculture and residential users.

First, there are no disparate charges between agriculture and residential users in the monthly service charge. The monthly service charge increases according to meter size for all customers, regardless of customer class. Interestingly, however, irrigation rates for agriculture in the two south coast Cachuma member units with large amounts of agriculture remaining – Goleta and Carpinteria Valley - are quite disparate. The unit price for irrigation water in Goleta is \$1.00 per 748 gallons, but in Carpinteria Valley, \$1.60 per 748 gallons, 60% higher.

Moreover, the difference between residential and irrigation rates in these two districts also indicates significant disparity: \$2.71 in Goleta vs. \$1.91 in Carpinteria. In other words the two residential and irrigation rates for the unit cost of water are closer in Carpinteria than Goleta.

Second, looking only at monthly service charges and not considering unit costs of water as a measure of monthly costs can be misleading. Monthly costs typically include both monthly service charges and unit costs of water. When comparing only the District's unit costs of water with other agencies it is easy to see that Carpinteria's unit costs of water, while high, are not the highest. Using the Santa Barbara County 2006 Water Rates Survey data, for example, the first 7 units of water cost \$2.51/unit in Carpinteria compared to Santa Barbara at \$2.56 for 4 units and \$4.29 for the next 3 units, Montecito at \$3.47, and Goleta at \$3.71. A more realistic comparison can be made with a combination of monthly service charge and actual costs of water for a fixed number of units of water used. Again using the County survey data, Carpinteria's residential monthly bill for 10 units of water used is \$76.55 compared to Montecito's \$62, Goleta's \$55.52 or Solvang's \$89.75.

Thirdly, it should be taken into consideration in comparing agency with agency whether some agencies also receive property tax revenues or levy special assessments to support capital projects. Carpinteria Valley Water District does not. It is an enterprise special district in the truest form and has no other source of revenue except what it collects from its customers in the water rates. In addition to collecting all the revenue needed for the State Water debt service through monthly service charges, the District is also collecting all of the debt service revenue for its \$27.75 million safe drinking water capital improvement program (two large reservoir covers, a 3 million gallon storage tank, and a new well with a filtration plant) through monthly service charges. The convergence of these debt service revenue needs in the last several years is what has caused the steep rise in monthly service charges in the last several years.

Finally, Carpinteria offers a 20% discount on monthly service charges to low income customers who qualify for the Edison Care program. Not many agencies do this.

Finding 4 Santa Barbara County Government has no direct authority over Carpinteria Valley Water District operations.

Response to Finding 4: CVWD agrees with this finding. Carpinteria Valley Water District was incorporated on February 13, 1941, and operates under the County Water District Law, Division 12 of the State of California Water Code. The District is a single purpose enterprise water utility supported only by the revenue obtained from the customers it serves. As set forth in State law, it is governed by a five person elected Board of Directors, residents of the District. On July 1, 1996 the District changed its name from the Carpinteria County Water District to the Carpinteria Valley Water District to eliminate the confusion associated with the word "County," and to more accurately reflect the District's service area. While most of the District's service area is unincorporated land zoned Agriculture, the District also serves the entire City of Carpinteria.

Finding 5 Barring very unlikely conditions, Carpinteria Valley Water District does not need the State Water option.

Response to Finding 5: CVWD disagrees with this finding. The District's "Water Supply and Demand Analysis" report dated October, 2005, and included in the District's most recent analysis of its water supplies completed in the February 2006 report prepared by Kennedy/Jenks Consultants entitled "Water Reliability Strategies for 2030," establishes that the District's needed State Water allotment is about 1,000 acre feet, or half of its current capacity allotment of 2,000 acre feet. State Water is an integral and needed source of water for the District to effectively mitigate a future drought.

Finding 6 Public relations relating to the Storage Tank at Rancho Monte Alegre were poorly handled but the tank is a necessary capital improvement for the District.

Response to Finding 6: CVWD agrees with the finding relative to the importance of the tank but disagrees with the public relations finding.

The District's 3 million gallon Storage Tank Project will soon provide the District with a new resource to make effective and efficient use of its groundwater source of supply. This in turn will assist the District in its ability to meet ever more stringent safe drinking water standards. As a storage facility it will also provide additional capability for the District to meet peak demands when for any reason local demand exceeds Cachuma supply flowing to the Carpinteria Valley through the South Coast Conduit from the Cater Treatment Plant in Santa Barbara. Should there ever be a catastrophic failure of the Cachuma system, the Storage Tank in conjunction with the use of well water will enable the District to provide a reduced but reliable safe drinking water supply to its customers.

Throughout the course of the Storage Tank Project's evolution the District produced and distributed numerous informational documents for the public and the media about the Tank Project. The District held numerous well publicized public meetings, including regular Board meetings twice a month, some of which when held in City Hall were publicly televised on the local public access Channel 18. An eight month Water Issues Study Group for all interested members of the public, providing evening monthly study sessions and day time tours of water facilities was also implemented in 2005.

It should be noted, however, that early on the District found itself in a defensive if not adversarial position with many in the community about the Project. A lawsuit was filed by the Carpinteria Valley Association in February of 2003 over the adequacy of the Project's environmental document. The District prevailed in the costly lawsuit, but during the course of this lawsuit a great deal of misinformation about the Tank Project evolved in the community having to do with the District's role in land use planning and the reasons for the Storage Tank. Some were fearful that the Tank was being built with public funds to support large scale development on the Ranch. To this day it is necessary to address serious misinformation and skepticism about the District's purposes and the Project. Public relations has been pursued conscientiously, deliberately and with success, but significantly compromised in an atmosphere of distrust fostered by the lawsuit.

RECOMMENDATIONS

Recommendation 1 The Carpinteria Valley Water District should not take on additional capital improvements that are not mandated by law or required to protect a reliable water supply.

Response to Recommendation 1: This recommendation has in part been implemented by the District. It should be noted, however, that capital improvements per se are rarely if ever mandated by law. What is mandated or required in law relative to safe drinking water are standards promulgated by the United States Environmental Protection Agency and the California Department of Health Services. It is always a District decision to choose a project or projects that best enable the District to meet these safe drinking water standards. The District will not implement the part of the recommendation that suggests that the District not take on additional capital improvements "required to protect a reliable water supply." Whether required by some other authority or not, it should be a foregone conclusion that the District will assume responsibility for improvements "to protect a reliable water supply" and act accordingly as the public water purveyor for Carpinteria Valley.

Recommendation 2 The Carpinteria Valley Water District should consider restructuring water service charges to more equitably balance charges between residential and agricultural users.

Response to Recommendation 2: This recommendation has been implemented.

The current water rate structure reflects an equitably balanced cost allocation between agricultural and residential customer classes.

First, with regard to **State Water debt service** costs collected as part of the monthly service charge, regardless of customer class - agricultural or residential - the guideline for cost allocation is related to capacity to take water as determined by meter size. Therefore, the larger the meter serving the customer, the more a customer pays.

Second, **Capital Improvement Program debt service** costs are also collected as part of the monthly service charge. These costs for four large safe drinking water projects necessary to meet current and future drinking water quality standards are apportioned equally to all dwelling units and structures where the need for safe drinking water exists, irregardless of customer class. This "one charge fits all" approach reflects the reasoning that drinking water, necessary for public health and safety purposes, is typically estimated to be about seven units or 5,236 gallons of water per dwelling unit or structure.

Third, the difference in the unit cost of water charged to agricultural customers and residential customers for water actually used is based on a difference in the allocation of safe drinking water treatment costs. The difference in these costs evolved only after the Cachuma system was built in the early 1950's, when the water delivered to both residential and agricultural customers was adequate for both classes of customers and required no special treatment for either class. This changed as a result of emerging scientific research related to chlorine

disinfection byproducts (DBPs) and the possible long term health effects of DBPs. This growing body of research and knowledge has led to state and federal regulations for safe drinking water unrelated to irrigation needs of agriculture. It is therefore not logical or justifiable to burden the agricultural customer class with advanced water treatment costs to meet safe drinking water standards. The costs of safe drinking water treatment are therefore not passed along to agricultural customers in the unit cost of water, except for what they use in their homes and structures. The unit cost of water used for agricultural irrigation, currently \$1.60 per 748 gallons, is therefore less than the unit cost of water used for residential purposes.

Finally, every year the District reviews its rate structure and cost allocation among customer classes to ensure that its Water Rates and Charge are justifiable and equitable among customer classes. The District adheres to industry standards and follows the guidelines of the American Water Works Association.

Recommendation 3 The Carpinteria Valley Water District should solicit review and comment from the County of Santa Barbara and the City of Carpinteria prior to initiation of all future major development projects.

Response to Recommendation 3: This recommendation has in the past and will in the future continue to be implemented. Major development projects require a full environmental review process, and both the City of Carpinteria and the County of Santa Barbara are routinely requested to participate and comment.

Recommendation 4 The Carpinteria Valley Water District Board should sell State Water to reduce water charges to the District or show cause to the community as to why the option should be maintained.

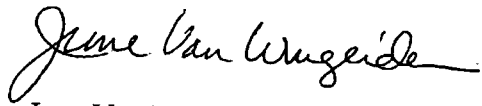
Response to Recommendation 4: This recommendation is being implemented.

As discussed above in response to Finding 5, the District has begun marketing up to 1,000 acre feet of its 2,000 acre feet capacity allotment of State Water, in response to recent studies that establish 1,000 acre feet as the appropriate amount of State Water allotment needed by the District to address a future drought.

In conclusion, the Governing Board of the Carpinteria Valley Water District wishes to thank the Santa Barbara County Grand Jury for its sincere efforts and hard work in reviewing and analyzing the District's multiple accomplishments of the last several years. Many of them have been costly and steeped in technical public health and safety issues and operations specific to water utility management. They are not easy to understand. Thank you for developing your findings and recommendations to ensure that Carpinteria Valley Water District effectively and efficiently fulfills its mission as the public water purveyor for safe and reliable water in the Carpinteria Valley. It is the belief of the Board of Directors that your report, together with these comments by the District, will help us and members of the public look forward with a greater understanding of the District on a more factual basis.

June 19, 2007

Sincerely

Handwritten signature of June Van Wingerden in cursive script.

June Van Wingerden
Vice President of the Board of Directors

Cc: Board of Directors

GrandJury062007