

**MINUTES
SPECIAL BOARD OF DIRECTORS MEETING
OF THE SANTA FE IRRIGATION DISTRICT**

April 25, 2018
Santa Fe Irrigation District
5920 Linea del Cielo
Rancho Santa Fe, CA 92067

CALL MEETING TO ORDER

President Hogan called the meeting to order at 8:30 a.m.

BOARD MEMBERS PRESENT: President Michael Hogan, Vice President Kenneth Dunford, and Directors Marlene King and Andy Menshek were present.

BOARD MEMBER ABSENT: Director David Petree

STAFF AND MEMBERS OF THE PUBLIC PRESENT: General Manager Michael J. Bardin, Executive Assistant Kim Johnson, Administrative Services Manager Jeanne Deaver, Engineering Services Manager Bill Hunter, Operations Manager Cor Shaffer, Management Analyst Jessica Parks, General Counsel Paula de Sousa Mills and Kelly Salt, Best, Best & Krieger, and members of the public were present. Also present were Pierce Rossum, Carollo Engineers, Christy Whalen, Rancho Santa Fe Association (RSFA) Manager, C. W. Corssmitt, RSFA Consultant, and members of the public.

PLEDGE OF ALLEGIANCE

President Hogan led the Pledge of Allegiance.

ITEMS TO BE ADDED TO THE AGENDA - None

ORAL COMMUNICATIONS

Prior to opening the meeting for public comment, President Hogan referred to the recently adopted Board policy regarding public comment and presentations during special Board workshops on cost of service and water rate setting, and GC de Sousa Mills gave an overview of the specific requirements for public participation.

Greg Gruzdownich asked if Carollo could clarify a comment regarding industry standards and fixed charges that he stated they made during their work on the City of Carlsbad Cost of Service Study.

Ed Batts expressed concern that larger properties are subsidizing other District customers and urged the Board not to make policies based on social status.

Christy Whalen, RSFA Manager, thanked the Board and District staff for holding the workshop and the opportunity for their group to make a presentation. She also noted that it is a complex issue and referred to the supplemental materials provided by the RSFA for the Board's review and consideration during this rate setting process.

Greg Gruzdownich introduced Dr. C. W. Corssmit, and Jeremy Jungreis, who would be making a presentation on behalf of the RSFA.

Dr. Corssmitt and Mr. Jungreis provided a 20 minute PowerPoint on the RSFA issues and position. After their presentation, President Hogan allowed public comment.

Joe Murria asked who makes the decision regarding rate setting, and noted if the rate structure is changed, other customers may be unhappy with the impacts.

GM Bardin welcomed all in attendance and thanked the RSFA for their materials and comments, and appreciated their effort to understand this process. He recognized the level of disagreement with the current District rates and structure; however, stated that the District's current rates meet all statutory requirements and are legal, fair, and equitable. GM Bardin discussed the upcoming Board meetings where financial policies will be considered as they relate to rate setting and invited all present to attend all of the upcoming meetings.

DISCUSSION

1. Board of Directors' Workshop - Cost of Service and Water Rates
 - a. Water Rates w/Consultant
 1. Rate Setting Objectives/Goals
 2. COSS Overview/Legal/Procedural
 3. Alternative Water Rate Structures
 4. Rate Setting Policies (Pass Through, Demand Reduction)

GM Bardin introduced Pierce Rossum, Carollo Engineers, who utilized a Power Point presentation to provide an overview of the cost of service and rate setting process. He, ASM Deaver, and GC Salt responded to questions from the Board.

President Hogan called for a recess at 9:50 a.m.

President Hogan reconvened the meeting at 10:01 a.m.

The Board discussed the definition of "reasonableness" and "affordability" and how those terms relate to cost of service.

The Board shared their desire to work within the proposed rate model to view the impacts of options considered, i.e., pay-go funding or issuance of debt for capital improvement projects, reserve fund balances, and alternate rate structures.

President Hogan allowed for additional public comment.

Ben Benumof, RSFA Special Counsel, commented that he was impressed by Carollo's presentation and praised the District's General Counsel and staff for their level of knowledge in the water rate setting arena.

Jeremy Jungreis, RSFA Special Counsel, advised the Board to not be overly swayed by State legislation that may conflict with Proposition 218, that the cost of service study should address local water vs. imported water availability and cost to customers, and felt all District customers should be treated fairly.

Greg Gruzdownich urged the Board to take note of the RSFA's concerns, and to also consider declining block rates.

2. Directors' Comments

Director Menshek asked the proposed schedule going forward. GM Bardin shared the proposed workshop schedule and topics.

Vice President Dunford thanked everyone for attending, he appreciated their input, and he looked forward to working together.

Director King stated her appreciation to the RSFA and wanted to publicly thank them for expending resources to make the discussions regarding rate setting more "robust."

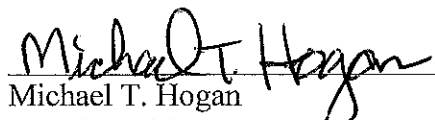
President Hogan thanked those in attendance for their participation and input and thanked the RSFA for the supplemental materials.

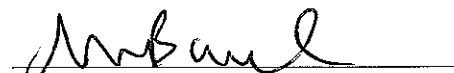
3. Special Board Meeting Workshop Calendar

This was an informational item only. No action was requested or required from the Board.

ADJOURNMENT

President Hogan adjourned the meeting at 10:47 a.m.


Michael T. Hogan
Board President


Michael J. Bardin
Board Secretary/Treasurer

