



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

July 31, 2019  
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\*  
*\*Director Petree arrived at 8:36 p.m.*

**STAFF AND MEMBERS OF THE PUBLIC PRESENT:** General Manager Albert C. Lau, Executive Assistant Kim Johnson, Administrative Services Manager Seth Gates, Engineering Services Manager Bill Hunter, General Counsel Paula de Sousa Mills and Lutfi Kharuf, Best, Best & Krieger, and members of the public were present. Also present was Jennifer Ivey, Carollo Engineers.

**PLEDGE OF ALLEGIANCE**

President Hogan led the Pledge of Allegiance.

**ORAL COMMUNICATIONS - None**

**ACTION AGENDA  
CONSENT ITEMS**

1. Waive Full Reading and Adopt Resolution No. 19-08, Establishing an Appropriation Limit for the District for the Fiscal Year Commencing July 1, 2019
2. Quarterly Treasurer's Investment Report
3. Receive and File Annual Report of Reimbursements and Compensation Paid to Directors
4. Waive Full Reading and Adopt Resolution No. 19-09, Confirming the Designation of Another Member of the San Diego County Water Authority Board Of Directors to Vote in the Absence of the Santa Fe Irrigation District's Representative To The San Diego County Water Authority

5. Waive Full Reading and Adopt Resolution No. 19-10, Adding Unpaid Charges to the 2019-20 Property Tax Roll as Fixed Charge Special Assessments

Vice President Dunford requested to consider Item 5 separately from the Consent Calendar.

Director King requested to consider Item 4 separately from the Consent Calendar.

Upon a motion by Director Menshek and second by Vice President Dunford, the Board voted to adopt the Consent Calendar as amended. Motion passed 4-0. (Petree absent)

**4. Waive Full Reading and Adopt Resolution No. 19-09, Confirming the Designation of Another Member of the San Diego County Water Authority Board Of Directors to Vote in the Absence of the Santa Fe Irrigation District's Representative To The San Diego County Water Authority**

Director King commented that this is a wonderful idea as the two Districts share ownership of the treatment plant, are excellent partners, and this exhibits the confidence each District has in one another.

Upon a motion by Director King and second by Vice President Dunford, the motion passed 4-0 to adopt Resolution No. 19-09.

Roll call vote was taken as follows:

Ayes: Dunford, King, Menshek, and Hogan

Noes: None

Abstain: None

Absent: Petree

**5. Waive Full Reading and Adopt Resolution No. 19-10, Adding Unpaid Charges to the 2019-20 Property Tax Roll as Fixed Charge Special Assessments**

Vice President Dunford requested staff to explain this action and how the process works. ASM Gates shared the District process to recover unpaid charges, and explained how the County assists in collecting the debt.

***Director Petree arrived at 8:36 a.m.***

Upon a motion by Vice President Dunford and second by Director Menshek, the Board voted unanimously to adopt Resolution No. 19-10. Roll call vote was taken as follows:

Ayes: Dunford, King, Menshek, Petree, and Hogan

Noes: None

Abstain: None

Absent: None

## **ACTION AND DISCUSSION ITEMS**

Prior to opening the item for public comment, President Hogan and General Counsel de Sousa Mills referred to the Board policy regarding public comment and presentations during special Board workshops on cost of service and water rate setting.

### **6. Board Workshop: Review and Discuss Local Water and Cost Allocation Strategies**

President Hogan offered the opportunity for public comment.

Christy Whalen, Rancho Santa Fe Association Manager, distributed a letter to the Board, discussed irrigation rates, and expressed concern over the lack of availability of recycled water in Rancho Santa Fe. She asked the Board to make a real effort in getting recycled water to the Rancho Santa Fe area, to not abandon the irrigation rates, and to not tier the irrigation rates.

Ben Benumof, Counsel for the RSFA, made comments on the letter provided by the RSFA, asked the Board to appreciate the heterogeneous nature of the District, and noted that the Water Code requires a base rate, a uniform rate, be used, otherwise the Association will file another suit against the District.

Tim Hamilton commented on prior politically-driven acts in Rancho Santa Fe that he deemed unethical, especially related to roads, and now feels the District is taking the residents' water. He noted that while the tiered rates may be legal, they are not ethical.

ASM Gates provided opening comments for the item and then introduced Jennifer Ivey, Carollo Engineers, Inc., who gave a PowerPoint presentation provide an update on cost of service allocations using base-extra capacity methodology, alternatives for local water allocation and varying availability, and a preliminary discussion of rate design and the objectives for the September Board workshop.

The Board engaged in a lengthy discussion on customer classes, peaking factors in all customer classes, local water supplies and related costs, and how the fluctuation between wet and dry rainfall years' effects on local water supplies and associated revenue requirements.

The Board also discussed water rate structures, including a uniform rate, inclining block and how tiers should be set, and water budgets. Additionally, components to be included in fixed charges were addressed.

President Hogan provided the opportunity for public comment.

Greg Gruzdownich noted America is currently very divisive and commented that the past few years' water rates have been set by a 3-2 Board vote which divides the community as well. He suggested the Board require a unanimous vote of water rates which will set a tone of unity. Mr. Gruzdownich also commented that statistical data is not useful with non-homogenous data and suggested the Board use "measured" instead of "allocated" because he feels allocating is guessing with regard to data for setting water rates.

Dana Friehauf appreciated the Board's efforts for an equitable water rate structure and noted she felt that cost allocations must be based on water supplies. She continued that aligning a Tier 1 break point to indoor use is good, that the Board should consider a middle tier with blended water costs and consider tier break points by meter size. Ms. Friehauf also commented that she does not support a uniform rate because of the two distinct water sources, and requested that any published materials for the September workshop be available ahead of time to provide adequate time for study.

Chuck Badger requested that the Board consider keeping the irrigation rate flat and not tiered, suggested that the Olivenhain Reservoir be utilized to save local water, and commented that the local water supplies were initially developed for irrigation use and does not support the indoor use only designation for local water supplies.

The Board discussed the alternatives for local water allocation and possible rate design alternatives, and after an extensive discussion, directed staff to return to the Board at the Special Board meeting in September to present options for Board consideration including the following:

- Using a "very high probability" of local water to establish Tier 1;
- Align the tiers with State guidance on conservation;
- Tier 1 to cover the unit cost of local water;
- Propose a tier structure that illustrates blended supplies and related costs;
- Cost allocation based on base-extra capacity allocation;
- Potential alignment with State's long-term conservation goals;
- Establishing a "special supply fund" to offset costs of imported water only;
- Propose rate structures for various types of customer classes and consolidate some of these classes where appropriate.

## **DIRECTORS' COMMENTS**

### **7. Directors' Comments**

Director King affirmed after the prior Cost of Service studies in 2015 and 2018, each with more Board engagement, that she partially attributes the current level of Board engagement to Director Petree, that she greatly appreciates it, and defies any member of the public to say "this Board is not on their game." She also is satisfied that each Board member is sharing in the responsibility of doing the work required.

President Hogan commented he was recently appointed to the San Diego County Water Authority Fiscal Sustainability Committee by the Board Chair, will meet two times per month, and is also active in the cost of service process at Metropolitan Water District.

## **INFORMATION ITEM – None**

## **CLOSED SESSION**

- ### **8. Conference with Legal Counsel- Existing Litigation**
- Pursuant to Government Code Section 54956.9 (d)(1)  
Rancho Santa Fe Association v Santa Fe Irrigation District

Case No. 37-2018-00064214-CU-MC-NC

9. Conference with Legal Counsel- Anticipated Litigation  
Significant exposure to litigation pursuant to paragraph (2) of subdivision (d) of  
Government Code Section 54956.9  
One potential case

***President Hogan adjourned into Closed Session at 11:09 a.m.***

***\*Director Petree left the meeting at 11:15 a.m.***

***President Hogan reconvened into Open Session at 11:35 a.m. and reported no reportable actions were taken in Closed Session.***

#### **ADJOURNMENT**

President Hogan adjourned the meeting at 11:35 a.m.



Michael T. Hogan  
Board President



Albert C. Lau  
Board Secretary/Treasurer