



ADMINISTRATIVE REPORT

Date: February 19, 2019

Agenda Item No: 4

Meeting Date: February 26, 2019

To: **Ventura Water Commission**

From: **Gerhardt Hubner, Ventura Water Commission Chair**

Subject: **Draft Letter to the Ventura City Council Requesting Their Assistance**

RECOMMENDATIONS

1. Receive draft Letter (Attachment No. 1); and
2. After receiving feedback from the Commission and the public, direct the Chair to finalize and submit the Letter to the Ventura City Council.

PREVIOUS MEETINGS

At the November 13, 2018 Commission meeting for Item No. 4, Ventura Water Revenue Source Review, staff provided a written and oral report giving a status update on Ventura Water revenue sources. At that meeting the Commission unanimously voted to request the City Finance Director provide Ventura Water staff specific financial information regarding Ventura Water's water and wastewater operations. Ventura Water's General Manager agreed to provide this information at a future Commission meeting.

At the January 22, 2019 Commission meeting under Item No. 3, the Commission received a Financial Status Update from Ventura Water's General Manager. This item was the follow-up from the request made at the November 2018 Commission meeting where Commissioner McCord requested certain financial information as noted above.

At this January meeting several Commissioners expressed concern about lack of progress on key Ventura Water priorities and other issues. After deliberation, the Commission on unanimous motion directed me to draft a letter to the City Council with their comments and concerns regarding Ventura Water.

DISCUSSION

As follow-up to the Commission's January meeting directive, a draft letter has been prepared that identifies three key areas of concern:

Communication with the Water Commission
Ventura Water Financials
Capital Improvement Program (CIP) Execution.

Administrative Report

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The draft Letter also makes specific request(s) for assistance to the City Council under each area of concern.

This draft Letter is attached, and its contents will be discussed in more detail at the February 26, 2019 Commission meeting. At this meeting, Commissioners, staff and members of the public will have an opportunity to provide feedback and input on the draft Letter.

Prepared by:

Gerhardt Hubner
Ventura Water Commission Chair

Attachment: Draft Letter dated February 26, 2019 to Ventura City Council

ATTACHMENT A

**DRAFT LETTER DATED
FEBRUARY 26, 2019 TO
VENTURA CITY COUNCIL**

February 26, 2019

City of Ventura City Council Members
City of San Buenaventura
501 Poli Street
Ventura, CA 93001

Subject: **VENTURA WATER COMMISSION'S REQUEST FOR ASSISTANCE**

Dear Honorable Members of the Ventura City Council:

I am writing you today as Chair of the Ventura Water Commission (Commission) and on behalf of the entire Commission. At the January 22, 2019 meeting of the Water Commission, the Commission unanimously directed me to draft a letter to the City Council with their comments and concerns regarding Ventura Water. A draft letter was included as part of the February 26, 2019 Water Commission agenda package. The Commission voted at this meeting to _____.

As background, over the last year and a half, several Commissioners (myself included) have been concerned about lack of progress on key priorities by Ventura Water. Three key areas of concern have been identified and our specific request(s) for your assistance in addressing these areas of concern are outlined below.

1. Capital Improvement Program (CIP) Execution
2. Ventura Water Financials
3. Communication with the Water Commission

Capital Improvement Program (CIP) Execution

The Water Commission has repeatedly been asked to consider and approve substantial investment in desperately needed infrastructure improvements to the water treatment, supply and distribution system in the City as well as wastewater collection, treatment and discharge of effluent. In January 2018, the Water Commission recommended approval of the 2018-2024 CIP, which was subsequently approved by City Council in March 2018.

Unfortunately, execution of this ambitious CIP program is drastically behind schedule. The Public Works department is either drastically understaffed or woefully mismanaged and has failed to achieve any meaningful execution of the planned CIP projects for Water and Wastewater. During Mr. Brown's tenure as General Manager, he met repeatedly with Tulson Clifford, Public Works Director, and was assured that this situation would change in the remainder of 2018. These good intentions were apparently derailed by Thomas Fire recovery efforts and the subsequent departure of Mr. Clifford for other employment. Unfortunately, the former General Manager did not develop a "Plan B" in the event that these assurances did not play out, as they did not. We

also now understand that several of the engineers within public works have also accepted positions elsewhere adding to more challenges to the remaining staff, which is relatively young and inexperienced with projects of the complexity that need to be implemented for Water and Wastewater in the next five years. **Water and Wastewater staff need to have control of the execution of the engineering and implementation of the CIP with the ability to ensure technical expertise appropriate to the projects being designed.**

While not appealing from a cost standpoint, the Water Commission feels it is imperative to consider aggressively using outside consultants for the requisite engineering services to avoid further delays in critical infrastructure projects. It is fiscally irresponsible for the City to continue to pay interest expense on bond funds sitting idle due to lack of progress on CIP projects funded by these same bonds. As an example, the critical Automated Meter Reading Installation project was funded by 2012/2014 bonds. Actual installation of the meters began in 2018 and is not scheduled for completion until 2021.

Ventura Water has a very ambitious CIP set of objectives. Many of these individual projects are critical for the City's compliance with deadlines set forth in the Consent Decree settlement related to litigation filed against the City of San Buenaventura by Wishtoyo Foundation/Ventura Coastkeeper and Heal the Bay Inc. which requires the City to provide diversion of effluent from the treatment plant not later than December 31, 2025. Compliance will be impossible without dedicated efforts to move forward with the related CIP projects on an expedited basis. Penalties for non-compliance will be financially significant and considered bad faith by all other parties involved.

With the recent resignation of Mr. Brown and the ongoing open positions for Finance Manager, Public Works Director and Planning Director, the City appears to be in the throes of a human resources crisis. Clearly, the requisite time must be invested to select qualified candidates for each of these positions. However, it is inexcusable that the residents and rate payers within the City should suffer the consequences of yet another year of no demonstrable progress on key priorities and objectives in the CIP providing critical water and wastewater infrastructure.

In the 2018-2019 City Council Goals recently reviewed at a City Council workshop on January 19, 2019, only five projects for Water and Wastewater were noted, and of those, all were noted as "Complete" by Public Works, when in fact, none of those are actually completed from a construction standpoint and may not even be completed by the end of FYE 2019. Those five projects represent only a fraction of the 58 CIP projects that should be in planning, design and under construction based upon the adopted CIP program from March 2018.

We want to make clear that Ventura staff are very capable and dedicated. However, recently the Assistant General Manager was appointed as Interim General Manager in addition to her existing responsibilities. We do not believe, it serves the interests of City residents to add the responsibilities of "Interim General Manager" to an already full plate. Ventura Water needs full staffing resources and the ability to execute the approved CIP immediately, not 12-18 months from now once a replacement general manager has been selected and is actually in place.

Requests:

1. Immediately bring additional staffing and/or consultants on board to complete priority CIP projects.
2. Direct staff to develop performance metrics for implementation of the CIP program, implement same and subsequently revise the CIP and schedule to be in line with current **achievable** rates of execution, established priorities, goals and objectives.

Ventura Water Financials

At the recommendation of the Water Shortage Task Force, City Council approved adoption of a tiered rate structure (effective July 1, 2015) that contemplated both a “regular” and “shortage event” rate structure to ensure fiscal responsibility in years of continued water shortages and customer conservation in light of the large fixed cost component of both the Water and Wastewater Enterprise Funds. Citizens within Ventura have continued to heed the call for conservation for the past six years, which has allowed us to function within our diminished supplies. Ventura Water has also continued to manage expenses with a resulting “surplus” in the past six fiscal years. These surplus funds accrue to Retained Earnings and provide a funding source for capital projects in the CIP plan recommended by the Water Commission and adopted by City Council.

At the November 13, 2018 meeting, Commission member McCord requested in writing that the Commission consider asking for detailed accounting data from Ventura Water’s financials. The Commission unanimously agreed and directed Ventura Water staff to provide this information at a future Commission date. At the January 22, 2019 Commission meeting, Ventura Water staff and Finance Department representatives provided and presented some financial data. Most surprising to me and several Commissioners was the fact that the Net Position balance for Water was \$115.9 million and \$102.4 million for Wastewater. No narrative or breakdown of expenses, percentage of over/under expenditures, and accounting of administrative vs. CIP costs was provided. We note administrative costs have taken an increasing amount of the budget with more staff positions being added (including the unfilled Assistant General Manager position). The “surplus” generated by the difference between operating revenues and operating expenses is being reflected in unrestricted cash balances and should be available to fund both Operating Reserves and CIP Reserves. We were also told by the General Manager that only \$8 million in CIP was completed in fiscal 2018, whereas approximately \$30 million annually should be the target to successfully fulfil the City’s past, current and future infrastructure needs based upon approved CIP projects recommended by the Commission and approved by City Council in the most recent CIP plan for Water and Wastewater.

Request:

1. Provide ongoing basis unaudited financial summary data to the Commission including:
 - a. Identification of balances in Operating Reserves and CIP Reserves;
 - b. Identification of any non-recurring cash events during the quarter;
 - c. Annual submittal of the CAFR for Water and Wastewater once finalized; and

- d. Narrative explanation of expenses, including breakdown of CIP vs. administrative expenses.

Communication with the Water Commission

As you know the Commission was established in June 2015 to provide the residents and City Council additional oversight and involvement in matters related to Ventura Water. For the first two years, Staff was “getting the Commission up to speed”. This objective has been achieved. However, except for the Net Zero Fee Ordinance very few substantive issues have been presented to the Commission for consideration.

- Water Operational Data: As Chair, I have repeatedly asked the General Manager to provide monthly data regarding water, wastewater operations, and groundwater quality production, information which is readily available and easy to provide. Delivery to the Commission of this easily obtainable data has yet to happen.
- Minutes: Currently, minutes for Commission meetings are very brief and contain little actual information regarding what was discussed and decided. As an example, the November minutes as submitted in draft form did not correctly reflect action taken on a specific agenda item which specifically deferred a decision.
- Comments on Plans/Reports: When the current Comprehensive Water Resources Report was being prepared, drafts were presented to the Commission and input was requested. More than four of the Commissioners provided detailed written comments. When the draft was next presented to the Commission, staff unilaterally and selectively decided which comments to incorporate and provided no visibility to the entire Commission regarding submitted comments, and reasons that the suggested comments might not have been incorporated. If Commission input is solicited, all Commissioners should be able to see each other’s comments and responses, as well as the public.
- Agenda Items/Staff Reports: Staff reports typically contain extensive “historical” information regarding prior discussion of subject matter, but typically little substantive material. Typically, the “meaty” portion of any topic is not provided until the actual meeting in PowerPoint form, which fails to provide adequate time for thoughtful consideration and identification of issues meriting discussion at Commission meetings.
- Lack of Consultation: Several Commissioners have inquired whether the Commission may be consulted on pending agreements, settlements and other contracts. Many times, we learn that an agreement has been executed after-the-fact. Without this consultation the Commission cannot fulfill our duties and responsibilities as Commissioners.

Requests:

1. Direct staff to include more detail in minutes
2. Direct staff to provide responses to written comments provided by Commissioners
3. Direct staff to provide information in staff reports that is more complete
4. Include Commission members in discussions on water-related issues in advance of action being taken.

In summary, this letter is intended to provide you with insight on a number of issues and concerns we as a Commission have observed which are now critical. It is our intent to provide this information to inform the City Council and request its assistance in remedying these issues in a timely matter. Without your assistance we do not believe Ventura Water staff can be successful in completing their job and mission.

We continue to believe the Water Commission has a vital role to play now and into the future regarding the City's water resources, and we invite you to a future meeting to observe our deliberations. I am available to discuss the contents of this letter at the pleasure of the City Council.

Sincerely,

Gerhardt Hubner, Chair
On Behalf of the Entire
Ventura Water Commission

Cc: Mr. Alex McIntyre, City Manager