



September 2, 2021

Board of Directors
Ventura Regional Sanitation District
Ventura, California

VENTURA REGIONAL SANITATION DISTRICT'S RESPONSE TO VENTURA COUNTY TAXPAYERS ASSOCIATION'S JULY 15, 2021 STATEMENT AND THE RELATED JULY 18, 2021 VENTURA COUNTY STAR NEWS ARTICLE

RECOMMENDATION

Receive and file.

FISCAL IMPACT

None.

BACKGROUND

At the July 15, 2021 VRSD Board Meeting, Mr. David Grau, representing the Ventura County Taxpayers Association (VCTA), read a statement into the record under Agenda Item No. 4, Public Comment. A written copy of this statement was received by VRSD staff at 7:14 a.m. on the same day and then it was emailed to the VRSD Board members.

Since the Board agenda for July 15, 2021 did not contain an item pertaining to the subject matter of the VCTA's statement, it was not discussed by the Board during that meeting.

Subsequently, a news article appeared in the July 18, 2021 Ventura County Star regarding the VCTA statement to the VRSD Board of Directors.

Today is the first Board meeting since July 15, 2021, on which the substance of the VCTA statement and subsequent news article can be properly addressed by the Board. This item exists on today's agenda for staff to provide the Board and the public with responses to the VCTA statement and the VC Star Article. The VRSD Board may choose to discuss these items in light of actual facts and publicly available information.

The attached VCTA statement and the VC Star article have been numbered for ease of reference when the District staff supplies its oral responses on the day of the meeting.

This letter has been reviewed by Legal Counsel as to form.

If you should have any questions or need additional information, please contact me by phone at (805) 658-4600 or via email at ChrisTheisen@vrsd.com.

CHRIS THEISEN, GENERAL MANAGER

APPROVED FOR AGENDA:



Chris Theisen, General Manager

Attachments: VCTA Statement and Ventura County Star Article



VENTURA COUNTY TAXPAYERS ASSOCIATION

July 15, 2021

Failing the Public Taxpayer

Ventura Regional Sanitation District (District) is a public agency that provides solid waste, water, and wastewater services within Ventura County. The District is governed by a Board of Directors that include city council members from Camarillo, Fillmore, Ojai, Oxnard, Port Hueneme, Santa Paula, Thousand Oaks, and Ventura.

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The District has been operating at a loss for years. While operating at a loss, Directors have been reluctant to increase rates or reduce costs and have instead been covering losses by dipping into dwindling cash reserves.

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The District is failing because the Board has demonstrated it is not competent in its financial oversight responsibilities. It is time for a completely refreshed Board.

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Recent Actions

Earlier this year the City of Oxnard terminated its solid waste agreement with the District, resulting in a loss of \$3.6 million in revenues. Oxnard cited uncompetitive rates at VRSD and awarded the contract to Waste Management of California.

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The Board was told with the loss of Oxnard as a customer, the District could “no longer keep reserves that we have” and it may need to delay pension payments. The Directors agreed to the suggested changes.

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At the February meeting the Board discussed its practice of moving costs from the water and wastewater business, making it appear profitable, while dumping additional costs into the solid waste landfill business, making it appear to lose even more money than it does.

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The District Manager told the Board that if cost allocations were corrected where water and wastewater were no longer being subsidized by solid waste then “we could lose our customers and would become unsustainable”.

Months later the Board was notified by the County of Ventura and TWSD, who account for 63% of water and wastewater revenue, that they too were terminating their agreements.

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The County of Ventura said it was terminating its agreement because of “escalating costs, poor workmanship, and neglect by Ventura Regional Sanitation District who often errs on the side of making band-aid repairs”.

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Failing to demand what should be done to correct the poor workmanship, Director Kildee complained; “It’s not fair. We need to send a letter back explaining our side of this issue to the Board of Supervisors.”

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Failing to ask what should be done to correct escalating costs that made the district uncompetitive, Director Hernandez demanded; “We need a public relations strategy to respond to hits from outside.”

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Board Role

Failed oversight has been a hallmark of the District Board. While Directors have acknowledged financial problems at public meetings, they have been unable or unwilling to correct the present destructive course. Commensurate with the Board’s role in financial oversight and fiduciary responsibilities, it has failed to ensure adequate funding to provide quality services to its community by imposing sufficient rates and fees to cover costs.

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During budget meetings, Directors failed to ask for any plan to address cost inefficiencies, poor workmanship, the potential loss of more customers, and importantly, dwindling cash reserves.

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Directors failed to ask questions when told an additional \$9.0 million of "net available" cash reserves would be needed during the next three years to cover cost inefficiencies, at which point the District *could* be insolvent.

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Instead, Directors focused their attention on the \$4,000 reduction in fees they receive for attending committee meetings. District customers can take comfort that at the insistence of Directors the fees were restored through cost savings from reduced employee training.

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The District's real problem is that it is going broke.

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When finally asked, staff told VRSD Directors the District is uncompetitive in part, due to employees receiving two pensions (one from Ventura County and another from the State) combined with a wage structure that is higher than the private sector.

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Unwilling or unable to correct the present destructive courses that made the district no longer competitive, Chairperson Friedman closed the budget discussion saying; "The writing is on the wall that we are too expensive to provide the services for the community."

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Rather than acknowledge the District is going broke, the Board of Directors instead opted to kick the can down the road and approved a budget that included delayed pension payments, draining of remaining cash reserves, and hoping against hope that more customers don't leave.

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The FY2021-22 budget was approved with one dissenting vote. A budget that included another \$5.5 million in losses, followed by millions of additional losses every year until the District finally runs out of cash, possibly as soon as 2024.

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New leadership is needed.

The process of returning VRSD to financial stability and regaining the public's trust demands a refreshed board of directors including new appointments with expanded business experience.

The District is failing because the Board has demonstrated it is not competent in its financial oversight responsibilities. It is time for a completely refreshed Board.

Because of these failures, the Ventura County Taxpayers Association calls for the immediate resignation of Chairperson Friedman, Vice-Chairperson Hernandez, Directors Kildee, Jones, and Austin from the VRSD Board of Directors.

NEWS

Taxpayers' group seeks resignations of half of sanitation district's board

Kathleen Wilson

Ventura County Star

July 18, 2021

A government watchdog group has called for the resignations of most board members of the Ventura Regional Sanitation District, claiming the public agency is failing financially because of poor board oversight.

The district that runs the Toland Road Landfill and provides water and sewage services has been running at a loss for years, but board members have dipped into dwindling cash reserves instead of cutting costs or increasing rates, the Ventura County Taxpayers Association said in a statement issued last week.

Association President David Grau, who read the statement Thursday at a remotely conducted district board meeting in Ventura, said the district is going broke.

Rather than acknowledge that, the board opted to "kick the can down the road" and adopted a budget for the current fiscal year with another \$5.5 million in losses, he said.

Jim Friedman, chairman of the board, said he was not going to resign and that the taxpayer group's statement running almost four pages was full of inaccuracies.

"This is so outrageous. I don't even know what to make of it," the Ventura councilman said, adding that the board has cut costs and increased rates contrary to Grau's assertions.

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District General Manager Chris Theisen said the agency is not going broke even if the agency is going through a rough patch. "The outlook is positive," he said.

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He acknowledged the difficulties, though, in his summary for the current fiscal year's budget. The year "will be difficult as the district adjusts to its new reality and continues to reinvent itself to ensure sustainability into the future," he said.

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It's been a bumpy ride lately.

District officials were buoyed by the county Board of Supervisors' decision in March to allow the Toland landfill to accept much more trash each day and cancel a planned closure date in 2027. But a couple months later in May, the Oxnard City Council decided to shift all of the city's trash business to the Simi Valley Landfill for cost reasons.

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Toland is the only major landfill on the western side of the county and receives trash from Ventura, Camarillo, Fillmore, Ojai, Santa Paula and unincorporated areas.

The loss of Oxnard's business was the biggest hit to the district at an annual loss of \$3.6 million in revenues, but two other government agencies are also departing.

The Triunfo Water & Sanitation District, which serves about 35,000 people in the Thousand Oaks-Westlake Village area, has decided to stop contracting with the Ventura district for a variety of water and wastewater services.

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The transition started this fiscal year and will take full effect in the next fiscal year. General Manager Mark Norris said the district's board decided to bring the services in house for cost reasons, saving around \$1 million annually.

Ventura County supervisors also decided in May to stop contracting with the district for maintenance and operation of wastewater facilities in an area along the coastal region north of Ventura.

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Joseph Pope, county water and sanitation director, said cost increases were untenable and service was slow and of poor quality. The move may save more than \$137,000 in annual labor costs, Pope told supervisors.

Friedman objects that the taxpayer association sent conflicting messages in its statement. The association twice called for a "completely refreshed" board but ended by saying only five of nine board members should quit.

Friedman was one of five board members who should step down, the association said.

The others were identified as Port Hueneme Councilwoman Laura Hernandez, Camarillo Councilman Kevin Kildee, Thousand Oaks Councilman Ed Jones and Fillmore Mayor Mark Austin. Board members are appointed by mayors or city councils so presumably any departing appointee would be replaced with another council member.

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Left untouched by the demand were Oxnard Councilman Bert Perello, Ojai Councilman William Weirick, Santa Paula Councilwoman Jenny Crosswhite and James Acosta, a board member of the Saticoy Sanitary District.

Grau at first said the association chose people who had served on the board for longer periods of time than the others. When informed that was not true for several of them, he said the association picked people who did not appear to be responding to the needs of the district.

The board with the exception of Weirick approved a budget for its business operations this fiscal year that shows the \$5.5 million in losses cited by Grau. Losses were worse in the previous three fiscal years, averaging about \$12.5 million annually.

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Reserves exceeding minimum requirements are due to decline from \$9.5 million this fiscal year to less than \$325,000 by fiscal year 2024-25 before rebounding to roughly \$850,000 the next fiscal year.

The Star could not obtain a full accounting of the reasons for the drop Friday, but Theisen said the funds are used to pay for capital expenses and pay off debts so they fluctuate.

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The district cut staffing by 17% in reaction to business losses and increased rates across the board, Theisen said. He said the board has made the tough decisions that are needed.

Weirick, though, said he hopes the taxpayer group's statement sends a message to the board.

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"I hope this helps provoke my colleagues into some serious thought about what is needed to get improved management of the agency in place," he said.

Weirick said he believes in the value of having a public agency handling sanitation responsibilities as opposed to a private company that does not have to disclose what it is doing. But the district needs to operate more like an enterprise and less like a bureaucracy, he said.

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The district is financed by fees from ratepayers and not tax dollars, but Grau told The Star he is concerned about what will happen if the district runs out of money.

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"Who is going to bail that place out?" he said in a brief interview after making his statement to the board. "Somebody is going to be on the hook."