

**Letter to Directors of the Goleta Water District regarding meeting on
May 23 2006 to consider possible increase of water rates for
all customers of the District.**

I, as a customer of the GWD, by the sending of this letter directly to each Director of the District, hereby object to the consideration of any rate increase by the Board at the meeting scheduled for Tuesday, May 23rd. The objections are based upon the following grounds:

I. THE GWD HAS FAILED TO GIVE ADEQUATE NOTICE TO THE PUBLIC AND SPECIFICALLY TO THE LOCAL FARMERS AS TO THE PROPOSED ACROSS THE BOARD RATE INCREASE.

The Board's Finance Committee met on April 27th and pursuant to its published agenda considered the budget for the upcoming fiscal year and any proposed rate increase for the next year. The proposed budget and analysis for any rate increase, until Noon on Friday, the 19th have not been made public. There has been no other public announcement by the GWD that the Special Board meeting on May 23 will consider a possible rate increase. This lack of prior notice makes it impossible for any type of rational analysis to be done by a member of the public in order to ask relevant questions or provide helpful input on the proposed rate increase. It is apparent the lack of notice and scheduling of this Special meeting is geared specifically for the avoidance of all meaningful public input.

The above is more egregious when it comes to the interest of the farmers who are customers of the District. The Board at its Special meeting on March 28th professed to be the "friend of the Farmers" and was deferring any decisions changing the use and cost of agricultural water to a future date and any proposed changes would only be done with adequate notice to all of the farmers. In addition, the Board touted the fact that there had been created a small group of farmers who would work with the District in regard to the issues involving the future use and cost of agricultural water to the local farmers. There had been several meetings of this farmers group with the staff and Director Evans of the Board. **HOWEVER THE FARMERS GROUP HAS NEVER BEEN TOLD IN ADVANCE ABOUT THE PROPOSED RATE INCREASE!** In spite of the overwhelming evidence and testimony of the multitude of farmers who appeared at the various special meetings during 2005 on how rate increases would cripple their operations, the above information is now going to be ignored by the Board. The proposed action will have the effect of increasing the cost of water to the farmers by 8% in the period from June 30, 2005 to July 1st 2006.

The issue of putting in water budgets is going to become moot as the District keeps increasing the cost of agricultural water and the number of farmers forced out of business will increase. **THE ACTION OF THE BOARD CLEARLY ESTABLISHES THAT IT HAS A CONTINUING GOAL OF ELIMINATING THE LOCAL FARMERS!**

The above failures of prior notices to a new rate change are an inexcusable breach by the Board and staff of the District of their duties of good faith and fair dealings per their commitments to work with the local farmers.

II. THE DISTRICT WEBSITE FINALLY AT APPROXIMATELY 12 O’CLOCK TODAY HAD THE VOLUNINOUS DATA CREATED TO JUSTIFY THE ACROSS THE BOARD 4% RATE INCREASE.

The current data set forth by the district on the rate increases has the same flaws that were present in last years budget and rate increase analysis. First of all, the analysis in order to justify the proposed rate increase does not consider the District’s actual anticipated costs for the next fiscal year, but instead focuses in on rates of inflation as a guide to its anticipated future costs. This form of analysis is the primary basis for the 4% increase. A business enterprise in fixing its budget needs should only consider its specific items of cost as to whether particular items will increase or decrease. Just because the Consumer Price Index increases by a particular percentage does not mean that there will be the same level of cost increase for the specific items used in that business. If the cost of milk and eggs increased by 12%,this does not mean the District’s costs will increase by 12%. In addition it is not valid to rely upon the generally increasing costs of building materials as a measure of the District’s cost of construction of the renovations of the treatment plant. The general increase in future constructions costs is not applicable since the on going renovation of the treatment plant is going forward with fixed costs per fixed cost contracts negotiated and finalized many months ago.

III. THE DIRECTORS WILL FAIL TO COMPLY WITH APPLICABLE STATE LAW, GOVERNMENT CODE SECTION 54999 et seq., IN FIXING THE RATE INCREASES SINCE THE ANALYSIS FAILS TO RECOGNIZE THE LIMITATIONS IN RATE INCREASES APPLICABLE TO CERTAIN PUBLIC ENTITIES, SUCH AS SCHOOLS, AND STATE AGENCIES

The Directors and their attorneys are fully aware of the statutory restrictions in fixing rate increases against certain public entities such as schools and State Agencies when the rate increases pertain to “capital facilities fees.” This is the legal basis for the legal action filed last year by the Regents of the University of California against the individual Directors and the GWD. The action is set for trial in the Superior Court this September.

The Directors have the burden pursuant to the Government Code Sections to identify the capital facilities fees charged to the public entity customer. In addition, the GWD has the statutory burden to show that the amount of the capital facility fee which is part of the rate increase is not in excess of the amount of any capital facility fee in effect as of January 1, 1987, as adjusted for the percentage increase in the “Implicit Price Deflator for State and Local Government Purchases” as determined by the California Department of Finance.

A reading of the materials set forth in the GWD website materials on the proposed 4% rate increase shows no such required information. The proposed action by the Directors of the GWD is a knowing and willful direct violation of the requirements of the Government Code. Elected officials have the duty to comply with applicable state law and if the proposed rate increases does not violate the terms of the Government Code, then the GWD has the statutory duty to clearly set forth all of the facts to show why the rate increases are lawful. The failure to comply with the statute guarantees another lawsuit from the Regents and possibly other affected public entities.

Before any rate increase can be lawfully imposed across the board to all customers, the Directors must supply all of the data required by the Government Code section 54999 et seq. The failure to do so is a blatant breach of their fiduciary duties and is completely unjustified. The District should have to give specific prior notice to all of the public agencies which will be impacted by the proposed rate increase so they may be assured that any rate increase is not in violation of the protected rights pursuant to the Government Code. Secret legislation is bad legislation!

May 19, 2006

Jack Ruskey