

**MINUTES OF THE SPECIAL MEETING OF THE
BOARD OF DIRECTORS OF TRABUCO CANYON WATER DISTRICT
MAY 23, 2016**

The Special Meeting of the Board of Directors of the Trabuco Canyon Water District (TCWD) was called to order by President Stephen Dopudja at 6:00 PM, in the Board Room at the District Administrative Facility, located at 32003 Dove Canyon Drive, Trabuco Canyon, California. Mr. Michael Perea, District Secretary, recorded and transcribed the minutes thereof.

DIRECTORS PRESENT

President Stephen Dopudja
Vice President Glenn Acosta
Director Edward Mandich
Director Michael Safranski

DIRECTORS ABSENT

Director James Haselton

STAFF PRESENT

Hector Ruiz, General Manager
Michael Perea, District Secretary
Karen Warner, Accounting Supervisor
Lorrie Lausten, Engineer

DISTRICT CONSULTANTS PRESENT:

District Treasurer - Cindy Byerrum
District Assistant Treasurer – Josh Byerrum

PUBLIC PRESENT

There were no members of the public present.

PLEDGE OF ALLEGIANCE

Director Safranski led the Board and District staff in the pledge of allegiance.

VISITOR PARTICIPATION

No visitor participation was received.

ORAL COMMUNICATION

No oral communication was received.

DIRECTOR'S COMMENTS

Director Mandich commented on the overall attendance at the District's Water Awareness Event on Saturday, May 21, 2016, and commended District staff for their work on the event.

Director Safranski commended District staff for their work on the District's Water Awareness Event, and mentioned that he received positive feedback from attendees.

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Vice President Acosta commended District staff on their work on the District's Water Awareness Event, and said that the event was a great turnout.

President Dopudja commended District staff on their work on the District's Water Awareness Event, and asked that District staff extend the Board's appreciation to the attendees from Santa Margarita Water District (SMWD), Moulton Niguel Water District (MNWD), and Municipal Water District of Orange County (MWDOC).

REPORT FROM THE GENERAL MANAGER

Mr. Ruiz commented on the following matters:

- Mr. Ruiz reported on the success of the District's Water Awareness Event, and said that the District plans to use social media outlets more to advertise future events.
- Mr. Ruiz reported that the Metropolitan Water District of Southern California (MWD) Board of Directors rescinded its water supply allocation as a result of the State Water Board's new regulatory updates which include the new self-certification process through 2017. Mr. Ruiz added that District staff is preparing the requested water demand information to MWDOC. Discussion occurred concerning the possible updates and revisions to the District's Water Conservation Ordinance and communication outreach methods.

ACTION CALENDAR

ADMINISTRATIVE MATTERS

ITEM 1: TCWD'S FISCAL YEAR 2016/2017 CAPITAL IMPROVEMENT PROGRAM (CIP) AND GENERAL FUND BUDGETS WORKSHOP

Mr. Ruiz presented this matter to the Board for discussion, and provided a Fiscal Year 2016/2017 Budget Guideline for their review and comment. Mr. Ruiz delivered a powerpoint presentation for the Budget Workshop, and highlighted the following matters:

Fiscal Year 2015/2016 District Highlights

Mr. Ruiz reviewed the multiple accomplishments and projects completed during Fiscal Year 2015/2016, including the completion of the Shadow Rock Detention Basin Urban Water Recovery Project and Dedication, meeting the State Water Board mandatory Conservation Standard of 28% for the nine-month regulatory period, and the significant progress on the Alternate Raw Water Transmission Project. Mr. Ruiz reviewed the current District Organizational Chart which reflected the staffing changes during the fiscal year, including two employees that have retired, the addition of two new full time positions, and highlighted the planned position vacancy and new positions. Mr. Ruiz added that the District augments staff as needed with contracted labor, and discussed the impacts of the planned Salary and Total Compensation Survey. Discussion occurred concerning long-term organizational challenges for the District and cross training efforts to ensure successful succession planning. Director Acosta recommended that the General Manager evaluate long-term staffing needs that would account for future growth at the District.

Major Budgetary Projections and Assumptions

Mr. Ruiz reviewed the following assumptions in the preparation of the FY2015/2016 Budgets:

- Projected sale of water and recycled water
- Wastewater collection and treatment costs
- MWD, MWDOC, and Santiago Aqueduct Commission rates and charges
- District utility operation and maintenance costs
- District staff levels and benefits

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- Capital Improvement Program projects which follow the 2015 Rate Study Model and Proposition 218 rates.

Historical and Projected Annual Water Demand

Mr. Ruiz reviewed historical water demands and said that the District's customers successfully met the State Water Board's mandatory Conservation Standard of 28% during the nine month period. Mr. Ruiz added that District staff is budgeting for an increase in potable water demand due to increased usage related to new developments and improved drought conditions. Mr. Ruiz added that District staff is assuming another dry year with no groundwater for budgeting purposes. Mr. Ruiz reviewed the impacts of the increased potable water of approximately 1,450 acre feet per year, as a result of the completion of the Baker Water Treatment Plant from which 965 acre feet will be available for the fiscal year. Discussion occurred concerning opportunities to sell excess potable water to other water agencies. Mr. Ruiz reviewed the Fiscal Year 2015/2016 and projected Fiscal Year 2016/2016 recycled water supply and demands. Discussion occurred concerning District management of recycled water resources and Shadow Rock Detention Basin Facility production.

Additional Major Budgetary Assumptions

Mr. Ruiz highlighted the following major budgetary assumptions:

- Follows the 2015 Rate Study for the implementation of new rates and proposed rate increase on January 2017;
- Assumes 3% salary increase, pending Salary and Total Compensation Survey;
- No employee contribution to health care and pension which is part of total employee compensation. Mr. Ruiz reviewed the District's pension cost saving impacts related to the hiring of future Full Time Employees which are subject to the Public Employees Pension Reform Act of 2013 (PEPRA);
- Sale of excess Baker Water Treatment Plant treated water;
- Baker Treatment Charges of \$209 per acre foot;
- Capital Improvement Program (CIP) of approximately \$5.7 Million.

MET/MWDOC Water Purchases Costs

Mr. Ruiz reviewed the projected treated and untreated water purchase costs and fees for FY2016/2017. Mr. Ruiz reviewed the retail meter and incremental charges for the District, and highlighted the following additional MET and MWDOC charges:

- MWD Capacity Charge & Readiness to Serve Charge
- MWDOC Meter Charge
- MWDOC CHOICE Programs

FY2016/2017 Proposed General Fund and Capital Improvement Program Budgets Review

Mr. Ruiz presented the proposed FY2016/2017 Budget to the Board, and mentioned that Ms. Byerrum was in attendance to answer any of their questions concerning the Budget. Ms. Byerrum reviewed the Budget Summary (Schedule A) with the Board and reviewed the sources of funds from the Operating Budget and uses of funds. Ms. Byerrum reviewed proposed Fiscal Year 2016/2017 Operating Budget (Schedule B) with the Board, and highlighted the following items:

- ***Operating Revenue, Business & Industrial Water Revenues:***
Ms. Byerrum said that this budget line item is increased due to planned increased construction water use due to new developments in the District's service area.
- ***Non-Operating Revenue, Property Tax Unrestricted:***
Ms. Byerrum said that this budget line item reflects a modest increase of approximately 2% due to new developments in the District's service area.

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- **Operating Expenses, Source of Supply**
Ms. Byerrum said that this budget line item reflects an increase of approximately 4%.
- **Operating Expenses, Salaries and Benefits:**
Ms. Byerrum said that this budget line item reflects an increase of 3% and the addition of one full time employee for the District's Maintenance Department. Discussion occurred concerning costs associated with employee health benefits; Ms. Byerrum commented that District staff has budgeted an 8% increase, but that the true costs are unknown at this time. Mr. Perea mentioned that CalPERS normally releases the new health benefit rates for the following calendar year in the month of July. Discussion occurred concerning the impacts of the planned Salary and Total Compensation Survey; Mr. Ruiz said that the survey results will be presented to the Board for implementation, and if there are increases beyond the 3%, that the Board can revisit the budget as it relates to salaries at a separate Regular Board Meeting in open session.
- **Operating Expenses, Board Expense:**
Ms. Byerrum said that this line item reflects an increase of approximately 14% due to increased health benefit costs and election costs, if necessary.

Mr. Ruiz presented the proposed Capital Improvement Program (CIP) for Board review which was derived from the Ten Year Essential CIP approved as part of the 2015 Rate Study, and highlighted planned projects by Department. Ms. Byerrum reviewed the Fiscal Year 2016/2017 District Reserve Projections with the Board, and highlighted that following items:

- **Board Designated & Unrestricted, Working Capital:**
Ms. Byerrum said that this line item represents an approximate sixty days of working capital for the District. Discussion occurred concerning the possible impacts of unforeseen expenses and future targets for District reserve levels in the event a loan is necessary to fund large projects.
- **Reserves**
Ms. Byerrum presented a table which presented the District's Reserves, and highlighted the performance of the reserves for Board review and discussion. Discussion occurred concerning the current reserve levels and the possible need to make adjustments to meet the proposed CIP; Ms. Byerrum explained that she would bring a more detailed table to demonstrate the manner in which the reserves are funded and subsequently used to meet the needs of the District's proposed Fiscal Year 2016/2017 CIP, as well as, maintaining other restricted reserve amounts.

Mr. Ruiz said that District staff will implement comments and suggestions from the Board into the budgets, and return to the Finance/Audit and Engineering/Operational Committees, and then to the Regular Board Meeting for adoption.

Action: The Board received the information concerning the matter. No action taken.

END ACTION CALENDAR

ADJOURNMENT

President Dopudja adjourned the May 23, 2016, Special Board Meeting at 8:03 PM.