

**MINUTES OF THE REGULAR MEETING
OF THE
BOARD OF DIRECTORS OF TRABUCO CANYON WATER DISTRICT
FEBRUARY 18, 2015**

The Regular Meeting of the Board of Directors of the Trabuco Canyon Water District (TCWD) was called to order by Vice President Glenn Acosta at 7:00 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 James Haselton
Director Edward Mandich
Director Michael Safranski

STAFF PRESENT

Hector Ruiz, General Manager
Michael Perea, District Secretary
Lorrie Lausten, Engineer
Karen Warner, Accounting Supervisor
Lisa Carmouche, Administrative Assistant
Dona Bozeman, Lead Customer Service Representative
Ashley Armstrong, Customer Service Representative

DISTRICT CONSULTANTS PRESENT:

District General Legal Counsel – Rob Anslow (Bowie, Arneson, Wiles & Giannone)
Assistant District Treasurer – Josh Byerrum (Platinum Consulting Group)

PUBLIC PRESENT

There were members of the public present

PLEDGE OF ALLEGIANCE

Director Mandich 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.

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DIRECTOR'S COMMENTS

Vice President Acosta had no comments.

Director Haselton thanked Mr. Ruiz for the recent tour of the Shadow Rock Detention Basin Facility Project and the District's Porter Ranch property.

Director Safranski commented on his attendance at the South County Water Agencies Meeting, and reported that the District had been selected as the Committee Chair for Calendar Year 2016. Discussion occurred concerning MWDOC's budget review process and opportunities to provide input. Director Safranski mentioned that the group discussed regional water reliability and San Juan Basin Authority membership. Discussion occurred concerning groundwater management and Proposition 1 funding.

Director Mandich thanked Mr. Ruiz for the tour of the Shadow Rock Detention Basin Facility Project. Mr. Mandich commented on the recent On Tap Newsletter which discussed the microclimate within the District's service area. Discussion occurred concerning irrigation smart timers and the availability of a local weather station information.

President Dopudja thanked Mr. Ruiz for the tour of the Shadow Rock Detention Basin Facility Project. Mr. Dopudja commented on his attendance at the Municipal Water District of Orange County (MWDOC) Water Policy Forum which highlighted seismic risks and impacts on water infrastructure. Mr. Dopudja welcomed the new District staff in the audience.

REPORT FROM THE GENERAL MANAGER

Mr. Ruiz reported on the following matters:

1. Mr. Ruiz introduced new District staff Ms. Lisa Carmouche, Administrative Assistant, and Ms. Ashley Armstrong, Customer Service Representative. Mr. Ruiz highlighted each employee's respective public agency experience.
2. Mr. Ruiz mentioned that the Director Monthly Water Consumption Report was included in the Blue Folder for their review and that his reported consumption for the month was 6 billing units.
3. Mr. Ruiz mentioned that both Santa Margarita Water District (SMWD) and Moulton Niguel Water District (MNWD) had scheduled Public Hearings related to rate increases. Discussion occurred concerning the District's rates in comparison with neighboring agencies water, sewer, and recycled water rates.

ITEMS TOO LATE TO BE AGENDIZED

Mr. Ruiz commented that there were no items too late to be agendized.

CONSENT CALENDAR

President Dopudja indicated that all matters under the Consent Calendar would be approved by one motion unless a Board member requested a separate action on a specific item. President Dopudja

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requested the removal of Item 1 from the Consent Calendar due to his absence at the January 21, 2015, Regular Board Meeting.

Action: A motion was made by Director Acosta and seconded by Director Safranski to approve the Consent Calendar, Items 2 through 4.
The motion carried 5 – 0.

ACTION CALENDAR
ADMINISTRATIVE MATTERS

ITEM 1: APPROVAL OF MINUTES OF BOARD MEETING(S)

Mr. Ruiz presented the January 21, 2015, Regular Board Meeting minutes for Board approval.

Action: A motion was made by Director Acosta and seconded by Director Haselton to approve the minutes of the January 21, 2015, Regular Board Meeting.
The motion carried 4 – 0 – 1 with President Dopudja abstaining.

ITEM 5: DISCUSSION AND POSSIBLE ACTION CONCERNING DIRECTOR COMMITTEE ASSIGNMENTS AND MEETING SCHEDULE

Mr. Ruiz presented this matter for Board review, and commented that the Board President assigned Director Committee Assignments at the December 17, 2014, Regular Board Meeting. Discussion occurred concerning the assignment of a secondary District representative to the South Orange County Watershed Management Area Executive Committee. Director Acosta expressed interest in serving in this capacity.

Mr. Ruiz reviewed the District Meeting Schedule for Calendar Year 2015 with the Board, and highlighted that the District's Engineering/Operational Committee now meets on the first Wednesday of the month, and the Finance/Audit Committee meets on the second Wednesday of the month. Mr. Ruiz added that the Finance/Audit Committee are now scheduled to sign checks on the fourth Wednesday of the month. Mr. Ruiz mentioned that the Finance/Audit Committee Meeting for November 11, 2015, falls on the District-observed holiday for Veteran's Day, and District staff will coordinate with the Committee to reschedule the meeting at that time. Discussion occurred concerning the attendance of Conferences for the year.

Action: President Dopudja assigned the South Orange County Watershed Management Area Executive Committee Alternate Representative to Director Acosta.

FINANCE MATTERS

ITEM 6: DISTRICT TREASURER ANNUAL STATEMENT OF INVESTMENT POLICY

Mr. Ruiz presented this matter for Board review, and mentioned that this matter is an annually recurring item that is adopted by resolution. Discussion occurred concerning the District's Investment Policy and investment options available to the District. Mr. Ruiz mentioned that this item was

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presented to the Finance/Audit Committee by the District Treasurer and Assistant District Treasurer. No changes were proposed to the current policy, and the policy maintains the same investment objectives, which are safety, liquidity, and return on investments. Mr. Byerrum mentioned that the District's current investments are earning approximately one quarter of one percent through the Local Agency Investment Fund (LAIF). Discussion occurred concerning the history of the District's investments and alternative investment strategies.

Action: A motion was made by Director Safranski and seconded by Director Acosta to adopt Resolution No. 2015-1208 – Resolution of the Board of Directors of Trabuco Canyon Water District Adopting Treasurer's Annual Statement of Investment Policy.
The motion carried 5 – 0.

ITEM 7: DISCUSSION AND POSSIBLE ACTION CONCERNING TCWD'S FISCAL YEAR 2014/2015 MID-YEAR BUDGET REVIEW

Mr. Ruiz presented this matter for Board review, and mentioned that the Fiscal Year 2014/2015 Mid-Year Budget was reviewed with the Finance/Audit Committee. Mr. Byerrum reviewed the Mid-Year Budget with the Board, and highlighted the following:

REVENUES

Residential Water:

Mr. Byerrum mentioned that this line item is projected to be lower as a result of a decrease in water sales due to conservation efforts.

Recycled & Reclaimed Revenue:

Mr. Byerrum mentioned that this line item is projected to be higher due to greater recycled water demands in the District's service area.

Property Tax Unrestricted:

Mr. Byerrum mentioned that this line item is projected to be lower than budgeted due to receipt of lower than anticipated Redevelopment Agencies (RDA) funds. RDA funds of \$150,000 were received compared to the budgeted amount of \$400,000. Discussion occurred concerning the dissolution of RDAs and typical payments to agencies. Mr. Byerrum mentioned that the receipt of RDA funds is difficult to budget because the funds are calculated by the State on an annual basis.

Total Revenues:

Mr. Byerrum mentioned that the overall total revenues are close to projection.

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OPERATING EXPENSES

Urban Runoff & Recovery:

Mr. Byerrum mentioned that this line is projected to be higher than budgeted due to more maintenance and repair of pumps than originally scheduled. Discussion occurred concerning Shadow Rock Detention Basin Facility Project.

Sanitation Expense:

Director Mandich asked why the increase in costs on this line item; Mr. Byerrum mentioned that this line item is projected to be higher than budgeted due to an increase in Southern California Edison (SCE) energy costs. Discussion occurred concerning energy costs and the District's sewer rates.

WRES:

Mr. Byerrum mentioned that this line item is projected to be higher than budgeted and is closer to Fiscal Year 2013/2014 budget value. Discussion occurred concerning the WRES reduction application process and the lower than anticipated applications received from customers.

Net Income Before OPEB & Depreciation:

Mr. Byerrum mentioned that this line item represents the District's net income in terms of actual funds.

Net Income:

Mr. Byerrum mentioned that this line item is projected to be lower than budgeted by approximately 7 percent.

Discussion occurred concerning the District's funding of its Other Post Employment Benefits (OPEB) in the California Employers' Retirement Benefit Trust (CERBT) and the method of monitoring and controlling costs. Mr. Ruiz highlighted the positive impact of the changes to the District's Administrative Fee Structure and Meter Lock-Off Procedure. Ms. Bozeman reviewed the decrease in Meter Lock Offs for non-payment and mentioned that there has been no abuse of the reduced fees by customers. Mr. Perea commented that the changes made to the Administrative Fee Structure and Lock-Off Procedure have greatly improved District relations with the customers in its service area.

Action: Received information concerning TCWD's Fiscal Year 2014/2015 Mid-Year Budget Review. No action taken.

ENGINEERING MATTERS

ITEM 8: ALTERNATE RAW WATER TRANSMISSION LINE – PW79

Mr. Ruiz provided a status update on this project and presented a DRAFT SCE Easement Procurement Projected Schedule of Events handout for Board review. Mr. Ruiz mentioned that District staff met with SCE staff on January 23, 2015, to review the easement location, and subsequently met with County of Orange staff to review the encroachment permit for the project. Mr. Ruiz added that Ms. Lausten is currently working with Tetra Tech (Consultant) on the encroachment permit, and that he has been

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frequently communicating with SCE concerning the project easement requirements. Mr. Ruiz mentioned that District staff and consultants will complete the potholing/surveying/geotechnical work at the project site, and that District staff is proceeding in parallel with the appraisal services beginning in March, 2015. Discussion occurred concerning the status of the property appraisal description of the easement and the formal easement condemnation process and timeline. Director Acosta commented on the importance of an emergency pipeline bypass plan; Mr. Ruiz mentioned that the Professional Services Contract Amendment No. 8 is an exhibit prepared by District staff and Tetra Tech for the Emergency Bypass Plan. Discussion occurred concerning the preparation of a project status update letter to Supervisor Bartlett; Mr. Ruiz mentioned that District staff will draft a letter for President Dopudja's review and signature.

Action: A motion was made by Director Acosta and seconded by Director Mandich to ratify Tetra Tech Professional Services Contract Amendment No. 6 for Revised Easement Acquisition Services, amending Amendment No. 5, and addition of mapping support for a total of 0 (zero) dollars, Professional Services Contract Amendment No. 7 for Site Surveying Services, additional pothole services, and Southern California Edison Exclusive Easement Condemnation Services for a not to exceed amount of \$29,600, and Professional Services Contract Amendment No. 8 for the preparation of Emergency Bypass Plans (Serrano Creek Emergency Plans) for a not to exceed amount of \$24,045.
The motion carried 5 – 0.

ITEM 9: BAKER WATER TREATMENT PLANT

Mr. Ruiz presented the February 2015 Construction Report and mentioned that there was no additional project updates. Mr. Ruiz highlighted project photos and the construction of the District's pump station. Mr. Ruiz mentioned that Irvine Ranch Water District is planning a project site tour for project partner agencies in May 2015, and that more information will be provided next month.

Action: Received status update. No action taken.

ITEM 10: SHADOW ROCK DETENTION BASIN FACILITY

Mr. Ruiz provided a status update on this project, and mentioned that Southern California Grading has completed that Site Work portion of the project which requires the approval of a Notice of Completion to be filed with the County of Orange. Mr. Ruiz reviewed the following Project Contract Change Orders:

- GCI Construction for project completion date extension to April 10, 2015 due to weather impacts and separate contractor activities.
- Southern California Grading for removal of wet material and debris from basin; installation of gravel and fabric; installation of 8-inch drainage pipe; and labor, materials and equipment in the amount of \$24,686.97.

Discussion occurred concerning public outreach methods and groundbreaking ceremony for the facility; Mr. Ruiz mentioned that District staff will request proposals for public relation services.

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Action: A motion was made by Director Safranski and seconded by Director Mandich to approve Contract Change Order for GCI Construction for project completion date extension to April 10, 2015, approve Notice of Completion of the Site Work Portion of the Shadow Rock Detention Basin Facility Project, approve Contract Change Order No. 2 for Southern California Grading for 1) removal of wet material and debris, 2) increase drainage pipe size from 4-inch to 8- inch including all labor, materials and equipment on a time and material basis in the amount of \$24,686.97.
The motion carried 5 – 0.

ITEM 11: DISCUSSION AND POSSIBLE ACTION CONCERNING RECYCLED WATER CONVEYANCE FOR CONSTRUCTION WATER TO THE SKYRIDGE DEVELOPMENT (84 DUs)

Mr. Ruiz presented this matter to the Board, and provided a status update on this development. Mr. Ruiz reviewed Resolution No. 2015-1209 with the Board, and mentioned that District staff has coordinated with SMWD to utilize recycled water for the development for construction water. Mr. Ruiz added that District staff will ensure that recycled water at the site is used in accordance with regulations. Discussion occurred concerning water rates and billing for the development.

Action: A motion was made by Director Safranski and seconded by Director Mandich to adopt Resolution No. 2015-1209 –Resolution of the Board of Directors of the Trabuco Canyon Water District Authorizing Temporary Provision of Reclaimed/Recycled Water Service by Santa Margarita Water District to Designated Property within the Service Boundaries of Trabuco Canyon Water District for Construction Water for Standard Pacific Homes – Skyridge Development.
The motion carried 5 – 0.

LEGISLATIVE, ADMINISTRATIVE, AND OTHER MATTERS

ITEM 12: DISCUSSION AND POSSIBLE ACTION(S) CONCERNING STATEWIDE DROUGHT CONDITIONS

Mr. Ruiz provided a status update concerning this matter, and mentioned that District staff recently attended the Orange County Water Association (OCWA) Luncheon with guest speaker Mr. Deven Upadhyay, Water Resource Management Manager, Metropolitan Water District of Southern California (MET). Mr. Ruiz added that the event highlighted the challenges of the drought-like conditions over the last eight years, and that 2014 marked the lowest allocation levels from the State Water Project. Discussion occurred concerning continuing drought conditions statewide and possible water allocations for 2015. Mr. Ruiz mentioned that he will be attending the MWDOC General Manager’s Meeting scheduled for the following day to review MET and MWDOC water allocation strategies and plans.

Action: Received status update. No action taken.

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ITEM 13: LOCAL GOVERNMENTAL AND LEGISLATIVE INFORMATIONAL MATTER(S)

Mr. Ruiz presented the following matters:

- Orange County Local Agency Formation Commission (OCLAFCO) Legislative Quarterly Report 2014/15 Legislative Session
- South Orange County Wastewater Authority (SOCWA) letter dated February 12, 2015, regarding Basin Plan Amendment Incorporating the State Water Board Onsite Wastewater Treatment Policy, Changing Water Quality Objective for Nitrate for Groundwater, and other changes; and San Diego County Water Authority (SDCWA) letter dated February 12, 2015, regarding comments on Proposed Basin Plan Amendments Modification of Groundwater Nitrate Objectives and Incorporation of the State Onsite Wastewater Treatment Systems Policy. Mr. Ruiz mentioned that this matter concerns permit updates for onsite septic systems and recycled water use and monitoring. Discussion occurred concerning recycled water use and projects and Regional Water Quality Control Boards in Santa Ana and San Diego section's jurisdictions in Orange County.

Action: There was no action taken.

CLOSED SESSION

The Board, through President Dopudja, recessed the Open Session portion of the Meeting at 8:23 PM. The Board met in Closed Session as set forth in the Meeting Agenda.

CLOSED SESSION NO. 1

The Board, through President Dopudja reconvened the Open Session of the Meeting at 8:29 PM.

ITEM 14: DISCUSSION AND POSSIBLE ACTION CONCERNING WORKERS' COMPENSATION APPEALS BOARD SERIOUS AND WILLFUL CLAIM SUBMITTED TO THE DISTRICT (CLAIM OF GONZALEZ)

Action: General Legal Counsel announced that the Board had met in closed session with General Legal Counsel and the General Manager to review the referenced worker's compensation matter pursuant to Government Code Sections 54956.9(d)(1) and 54954.5(c). The Board received information relating to the referenced matter and the Board, by unanimous vote, has retained the Law Offices of Stacey L. Tokunaga to represent the District with respect to the Serious and Willful allegations made with respect to the above-referenced worker's compensation matter.

OTHER MATTERS

Mr. Ruiz mentioned that District staff will present an update on MWDOC's proposed Fiscal Year 2015/16 Budget Schedule to the Finance/Audit Committee and the Board in the coming months as information is provided to the District. Discussion occurred concerning MWDOC's proposed

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Administrative Code revisions and updates. Mr. Perea reminded the Board that the Fair Political Practice Commission Conflict of Interest Form 700 filing period ends on April 1, 2015. Mr. Perea mentioned that he is available to assist Directors with their online filing credentials if necessary.

ADDITIONAL GENERAL MANAGER COMMENTS

There were no additional General Manager comments received.

ADDITIONAL DIRECTORS' COMMENTS

There were no additional Director comments received.

END ACTION CALENDAR

ADJOURNMENT

President Dopudja adjourned the February 18, 2015, Regular Board meeting at 8:40 PM.