



MINUTES OF THE SPECIAL BOARD MEETING OF THE BOARD OF DIRECTORS OF TRABUCO CANYON WATER DISTRICT | MAY 22, 2017

The Special Meeting of the Board of Directors of the Trabuco Canyon Water District (TCWD) was called to order by President Glenn Acosta 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 Glenn Acosta
Vice President Michael Safranski
Director Don Chadd
Director Stephen Dopudja
Director Edward Mandich

STAFF PRESENT

Hector Ruiz, General Manager
Michael Perea, District Secretary
Lorrie Lausten, Principal Engineer
Karen Warner, Senior Accountant
Lisa Sangi, Administrative Assistant

DISTRICT CONSULTANTS PRESENT:

Ms. Cindy Byerrum, District Treasurer (Platinum Consultants)
Mr. Ian Berg, Platinum Consultants

PUBLIC PRESENT

There were no members of the public present.

PLEDGE OF ALLEGIANCE

Mr. Perea 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

No Director comments were received.

REPORT FROM THE GENERAL MANAGER

Mr. Ruiz welcomed Ms. Byerrum to the Special Board Meeting and introduced Mr. Berg to the Board of Directors.

ACTION CALENDAR

ADMINISTRATIVE MATTERS

ITEM 1: MOUNTAIN VIEW DRIVE – POTABLE WATER DISTRIBUTION MAIN REPLACEMENT PROJECT (END OF MAIN SECTION) – POTENTIAL ACTION(S) ON CONTRACT BIDS

Ms. Lausten provided an update on this matter for Board consideration, and reported that she had an opportunity to review the submitted bid proposals for this project. Ms. Lausten reviewed the Summary of Bids (Exhibit) with the Board, and expressed her appreciation to the Board for the additional time to review the bid proposals and associated costs with the vendors. Ms. Lausten reported that the lowest bid was submitted by JES Engineering Contractors, and that she was comfortable with the proposed bid based on her discussion with JES regarding the difference in costs. Discussion occurred concerning the information presented in the Summary of Bids. Ms. Lausten reported that GMU Geotechnical Inc. will perform the project-related site survey, and that she added a contingency of \$25,000 for unforeseen conditions, site survey and geotechnical testing.

Action: A motion was made by Director Chadd and seconded by Director Safranski to authorize the General Manager to execute a Contract for Construction to JES Engineering Contractors in the amount of \$109,424, and to authorize the General Manager to contract for up to \$25,000 for unforeseen conditions, site survey and geotechnical testing.

The motion carried 5 - 0.

ITEM 2: TCWD'S FISCAL YEAR 2017/2018 CAPITAL IMPROVEMENT PROGRAM (CIP) AND GENERAL FUND BUDGETS WORKSHOP

Mr. Ruiz presented this matter for Board consideration, and mentioned that Ms. Byerrum was in attendance to present the proposed Fiscal Year 2017/2018 General Fund Budget. Mr. Ruiz delivered a PowerPoint presentation of the Fiscal Year 2017/2018 Budget Guideline and provided handouts of the presentation information. Mr. Ruiz reviewed the following items:

Fiscal Year 2016/2017 District Highlights

Mr. Ruiz highlighted the District personnel changes due to the 2016 re-organization and salary adjustments from the Total Compensation and Salary Study, and commented on the new full time employees that have replaced recently retired senior employees. Mr. Ruiz reported that there have been two new home developments in the District's service area, and that a third development is beginning later this year. Mr. Ruiz mentioned that District staff recently conducted the Alternate Raw Water Transmission Line Project (ARWTL) Construction Kick-Off Meeting after six years of permitting and easement procurement challenges. Discussion occurred concerning the ARWTL Project timeline for completion and project-related challenges. Mr. Ruiz commented that District customers' overall conservation effort in response to the five-year drought was as high as 31% in comparison to the same period in 2013.

Organization and Staffing Review

Mr. Ruiz reviewed the new District Organization Chart, and highlighted the significant changes and the new employees. Mr. Ruiz commented that due to the challenges associated with a small District that some services and labor are contracted with vendors and consultants by necessity. Mr. Ruiz added that due to technological advanced equipment and other efficiencies, such as Automatic Meter Reading (AMR) water meters and improvements in telemetry communications, that there is not a need for additional staff. Discussion occurred concerning the challenges associated with staffing limitations and the possible integration of a standing internship program to augment District staff.

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Director Chadd mentioned the need to repaint fire hydrants as a matter of public safety and discussed certain locations in the District where fire hydrants would be less visible in particular at night. Director Chadd mentioned that staff or contracted services could assist with repainting of hydrants. President Acosta asked the General Manager to review the District's Hydrant Painting Program; Mr. Ruiz replied that there was no formal program, but that hydrants are repainted by Operations on an as-needed basis or when requested by a customer. President Acosta directed the Mr. Ruiz to inquire about the cost for repainting the Districts' fire hydrants, and to bring this item for consideration in the budget for next fiscal year.

Fiscal Year 2017/2018 Budget Major Assumptions

- **Historical & Projected Water Demands**

Mr. Ruiz indicated that the District will continue to follow the 2015 Cost of Services Rates Study, and that as a result, the water and wastewater rates are scheduled to increase by 5 percent effective January 2018. Discussion occurred concerning the comparison of the District's current rates with other water agencies in Orange County; Mr. Ruiz said that a similar comparison was presented at the 2015 Public Hearing for the adoption of the water, wastewater, and reclaimed water rates and charges. Mr. Ruiz reviewed the historical and projected water demands, and commented that the budget assumes a dry year with new developments and future development construction water, but no groundwater. Discussion occurred concerning the Fiscal Year 2017/2018 water projections through the South County System.

- **Baker Water Treatment Plant**

Mr. Ruiz reviewed the District's allocation of water from the Baker Water Treatment Plant (BWTP), and highlighted the District's planned use of the total 1,450 acre feet of water from the facility. Discussion occurred concerning strategies for the sale of excess BWTP water to other water agencies; Mr. Ruiz explained that the sale of excess BWTP water could help the District repay its reserves and recover the capital invested on the project. Discussion occurred concerning water reliability in the event of increased planned shutdowns of the Diemer Water Treatment Plant, and opportunities for the sale of excess BWTP water; Mr. Ruiz mentioned that he is still negotiating agreement language with the City of San Clemente for the purchase of BWTP water, and that they are currently completing an analysis of water rates. Mr. Ruiz reviewed with the Board proposed scenarios for the sale of BWTP water with recovery percentage factors over different term periods beginning in fiscal year 2017/2018.

- **Recycled Water Demands**

Mr. Ruiz reviewed the District's Fiscal Year 2016/2017 Recycled Water Demands, and highlighted the current recycled water supplies and demands. Mr. Ruiz indicated that the Fiscal Year 2017/2018 Budget is the same as the prior year with planned supplemental potable water to meet system demands.

- **Proposed Budget Detail Review**

Mr. Ruiz presented the Fiscal Year 2017/2018 Budget Major Assumptions for Board review and discussion, which included the following:

- Increased electrical costs, approximately 4%.
- Increased health care costs, approximately 5%.
- Inflation, including increased fuel and chemical costs, approximately 2%.
- The end of the MET Local Resource Program which results in an approximate annual loss of \$20,000 in recycled water credits.
- Fiscal Year 2017/2018 Capital Improvement Program (CIP) of \$4.715M, including any projects encumbered in Fiscal Year 2016/2017.

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Discussion occurred concerning the potential need for capacity improvements to the Robinson Ranch Wastewater Treatment Plant (WWTP); Mr. Ruiz responded that the WWTP will require a capacity increase of the aeration system due to future development construction, but that would be addressed at that time with that developer. Mr. Ruiz mentioned that Ms. Byerrum was in attendance to review the Fiscal Year 2017/2018 General Fund Budget Schedule Detail as presented in the Budget Guideline. Ms. Byerrum reviewed **Schedule A – Budget Summary** with the Board, and presented the projected end of year budget scenarios for Fiscal Year 2016/2017. Ms. Byerrum added that certain budget factors did not materialize as anticipated, such as lower than expected new developments and less BWTP water sold.

Ms. Byerrum reviewed **Schedule B – Operating Budget** with the Board and highlighted the Operational and Non-Operational Revenues and Expenses. Discussion occurred concerning the proposed budgeted Source of Supply costs, including BWTP and water-related expenses; Ms. Byerrum indicated that the Source of Supply budget is organized by individual source, and mentioned that Sanitation Expenses are anticipated to decrease. Discussion occurred concerning the Salaries and Benefits line item; Mr. Ruiz reminded the Board that the proposed Fiscal Year 2017/2018 Budget follows the 2015 Rate Study Report, and is budgeted for an approximate 6.4% overall increase compared to Fiscal Year 2016/2017. Discussion occurred concerning anticipated health care costs for Fiscal Year 2017/2018; Mr. Perea commented that District staff will not know the true health care costs until CalPERS publishes the 2018 rates. Director Safranski mentioned that he understood that the increase would be approximately 8 percent as opposed to 5 percent. Ms. Byerrum confirmed that the 8 percent is a more correct assumption, and that she would work to update the budget to reflect the higher budget increase. Ms. Byerrum reviewed the developer impact fees collected in Fiscal Year 2016/2017, as well as anticipated Other Capital Contributions from Federal Emergency Management Agency (FEMA) and Proposition 84 reimbursement costs. Ms. Byerrum highlighted the District's Other Post-Employment Benefits (OPEB) liabilities, and mentioned that the District is scheduled to make an annual payment to the CalPERS CERBT per the results of the bi-annual valuation report completed in calendar year 2015. Ms. Byerrum briefly reviewed the anticipated impacts from Governmental Accounting Standards Board (GASB) 75 in future reporting of OPEB obligations.

Ms. Byerrum briefly reviewed **Schedule D – Projected Reserve Funds** with the Board and highlighted the overall impact of the proposed Fiscal Year 2017/2018 CIP projects which will lower the District's reserves from \$10.7M to \$7.2M. Discussion occurred concerning the possible presentation of a mid-year budget update to learn more about the effect of the Board adopted 2015 Water, Wastewater, and Recycled Water Rates, as well as the necessity of continuing the Temporary Revenue Stabilization Charge; Mr. Ruiz mentioned that District staff can plan to present this information and review the overall budgetary impacts sometime in January 2018.

Mr. Ruiz presented and reviewed **Schedule C – Proposed Fiscal Year 2017/2018 CIP** with the Board, and explained that the draft CIP has been reviewed in depth at the Committee level. Mr. Ruiz indicated that the CIP had been updated to reflect feedback from the Committees, including project priority ranking. Mr. Ruiz reviewed the changes to the CIP since the previous review, and mentioned that District staff is prepared to proceed with the purchase order for the Crane Truck replacement vehicle in Fiscal Year 2016/2017, but that the actual costs will be incurred in Fiscal Year 2017/2018. Discussion occurred concerning the District's inventory of vehicles and overall vehicle lifespan; Mr. Ruiz mentioned that District staff has notified him of the need to replace an existing fleet truck due to significant repairs which costs exceed the value of the vehicle, and that he is prepared to approve the purchase as it is under his signing authority. Mr. Ruiz briefly provided a status update on the planned purchase of a valve turning truck for the Water Operations Department and the benefits of a robust valve turning program, but mentioned that the original budget needs to be increased and scheduled for Fiscal Year 2017/2018 due to the long build time. Discussion occurred concerning the District's current valve turning program, as well as the Fire Hydrant and Air-Vacuum Breaker Can Maintenance programs. Mr. Ruiz

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commented that he will bring the purchase of the vehicles mentioned for ratification at the next Finance/Audit Committee Meeting.

Action: The Board of Directors received information concerning the matter. President Acosta further directed the General Manager to inquire about the implementation of a hydrant maintenance program and cost, as well as the need to temporarily augment staff with part-time or temporary staff for the Water and Wastewater Operations Departments.

END ACTION CALENDAR

ADJOURNMENT

President Acosta adjourned the May 22, 2017, Special Board Meeting at 7:51 PM.