

**MINUTES OF THE SPECIAL MEETING
OF THE
BOARD OF DIRECTORS OF TRABUCO CANYON WATER DISTRICT
MAY 11, 2015**

The Special Meeting of the Board of Directors of the Trabuco Canyon Water District (TCWD) was called to order by President Stephen Dopudja at 5:30 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

DISTRICT CONSULTANTS PRESENT:

District Treasurer – Cindy Byerrum (Platinum Consultants)

PUBLIC PRESENT

There were no members of the public present

PLEDGE OF ALLEGIANCE

Director Haselton 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

Director Safranski had no comments.

Director Mandich commented on his attendance at the Santa Margarita Water District Water Awareness Event.

Vice President Acosta commented the State Water Board emergency regulations and mentioned that the planned Special Board Meeting on Friday, May 15, 2015, is timely.

Director Haselton commented on the State Water Board emergency regulations, and discussed the recent rain event and the continuing drought.

President Dopudja commented the District's water use efficiency rebate programs. President Dopudja commented on his attendance at the Municipal Water District of Orange County (MWDOC) Elected Officials Forum which highlighted the impacts of the statewide drought. Discussion occurred concerning customer input and recognition for conservation efforts to date. President Dopudja mentioned his attendance at the Association of California Water Agencies (ACWA) and highlighted Governor Brown's presentation on the State's efforts to address the drought.

REPORT FROM THE GENERAL MANAGER

Mr. Ruiz had no matters to report.

ACTION CALENDAR

ADMINISTRATIVE MATTERS

ITEM 1: TCWD'S FISCAL YEAR 2015/2016 GENERAL FUND AND CAPITAL IMPROVEMENT PROGRAM BUDGETS WORKSHOP

Mr. Ruiz presented this matter for Board review and consideration, and mentioned that District staff had prepared a powerpoint presentation concerning the matter. Discussion occurred concerning the impact of the State Water Board proposed emergency regulations on the District's proposed FY2015/2016 Budget. Mr. Ruiz reviewed the FY2015/2016 Budget Workshop powerpoint presentation with the Board:

- **Historical and Projected Annual Water Demand**
Mr. Ruiz reviewed historical water demands and commented that District staff is budgeting for the purchase of approximately 2,500 acre feet, without any groundwater. Mr. Ruiz added that District staff is assuming another dry year for budgeting purposes.
- **DRAFT Water Projections**
Mr. Ruiz reviewed the DRAFT Water Projections and highlighted the impact of the State Water Board proposed emergency regulations. Mr. Ruiz mentioned that the projections include normal water production for four months and a 32% reduction in water demands for the eight month period the proposed emergency regulations are in effect. Discussion occurred concerning revenue from planned

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developments in the District's service area and the nurseries, as well as the impact of the proposed emergency regulations on potable water demand for the maintenance of mandated fuel modification zones. Mr. Ruiz reviewed the State Water Board Conservation Standard methodology and the reasons for the District's 32% mandatory reduction. Mr. Ruiz noted that the proposed budget is in direct response to the mandated State Water Board reductions.

- **Major Budgetary Assumptions**

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

- o Southern California Edison (SCE) costs increase of 5% is pending further review. Director Safranski mentioned that SCE rates had shown a decrease or less of an increase in the private sector.
- o Health Care Benefits costs increase of 5%
- o Inflation, including fuel, chemicals, cost increase of 2%
- o TCWD salaries: no change to total salary costs
- o Revised salary chart to exclude years of service.

- **MET/MWDOC Water Purchases Costs**

Mr. Ruiz reviewed the planned water purchases costs and fees for FY2015/2016. Mr. Ruiz reviewed the retail meter and incremental charges for the District, and highlighted the following additional MET and MWDOC charges:

- o MET Capacity Charge
- o MET Readiness to Server Charge
- o MWDOC CHOICE Programs

- **Santiago Aqueduct Commission (SAC)-related charges**

Mr. Ruiz mentioned that District staff has not received the formal proposed costs for the matter, but are assuming a surcharge ranging from \$13 to \$14 per acre foot of water for FY2015/2016, pending further notice from the SAC.

- **Organizational and Staffing Review**

Mr. Ruiz presented the District's Organizational Chart for Board review, and highlighted the District transition strategy for the replacement of certain employees' planned retirements and open positions in FY2015/2016. Mr. Ruiz reviewed the full time employee and employee salary historical data with the Board, and mentioned that the District plans to meet staffing challenges with contract services on an ongoing and as needed basis, the implementation of new equipment and tools, and to follow the 2012 Organizational Assessment. Mr. Ruiz mentioned that total salary costs are proposed to remain the same as the current fiscal year while allowing for internal salary adjustments and staffing changes.

- **FY2015/2016 Proposed General Fund and Capital Improvement Program Budgets Review**

Mr. Ruiz presented the proposed FY2015/2016 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. Discussion occurred concerning cash flow strategies and assumed challenges

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for FY2015/2016; Ms. Byerrum mentioned that the FY2015/2016 Budget assumes a loss of approximately 25% of revenue. Mr. Ruiz presented the proposed Capital Improvement Program (CIP) for Board review and highlighted planned projects by Department. Mr. Ruiz mentioned that as a result of the increase in workload from the new State Water Board regulations that District staff proposes to postpone certain Major Repairs and Expenses which were originally scheduled for FY2014/2015 to be completed next year.

- **Detailed Budget Review**

Ms. Byerrum presented the FY2015/2016 Budget Detail for Board review, and highlighted the impact of the State Water Board emergency regulations on District projected revenues for FY2015/2016. Ms. Byerrum provided a detailed line by line review of the FY2015/2016 General Fund Budget for the Board. Discussion occurred concerning revenues and expenses, the use of water and sewer rate stabilization reserve funds to offset revenue losses during FY2015/2016, and the timeline for completion of a comprehensive rate study. Mr. Ruiz mentioned that District staff is currently preparing a Request for Proposal of Services for a comprehensive rate study. Discussion occurred concerning the water conservation strategies and the review of the District Conservation Ordinance; Mr. Ruiz mentioned that this matter would be reviewed at the scheduled Special Board Meeting on May 15, 2015. Discussion occurred concerning the preparation of the comprehensive rate study that would review water, sewer, and recycled water rates; Mr. Ruiz reviewed the challenges with the preparation of the rate study, and highlighted rate strategies to meet the impacts of the drought on District water supplies and revenues.

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

ADDITIONAL DIRECTORS' COMMENTS

There were no additional Director comments received.

ADDITIONAL GENERAL MANAGER COMMENTS

There were no additional General Manager comments received.

END ACTION CALENDAR

ADJOURNMENT

President Dopudja adjourned the May 11, 2015, Special Board Meeting at 8:02 PM.