

**MINUTES OF THE REGULAR MEETING  
OF THE  
BOARD OF DIRECTORS OF TRABUCO CANYON WATER DISTRICT  
JANUARY 20, 2016**

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The Regular Meeting of the Board of Directors of the Trabuco Canyon Water District (TCWD) was called to order by President Stephen Dopudja 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 Kasaboski, Lead Customer Service Representative

**DISTRICT CONSULTANTS PRESENT:**

District General Legal Counsel – Rob Anslow (Bowie, Arneson, Wiles & Giannone)  
District Treasurer – Cindy Byerrum  
Brett Paulson, Cornerstone

**PUBLIC PRESENT**

There were no members of the public present.

**PLEDGE OF ALLEGIANCE**

Vice President Acosta 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 had no comments.

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Director Safranski wished a Happy New Year to everyone in attendance, and commented on the Flint, Michigan water crisis.

Vice President Acosta had no comments.

Director Haselton commented on the Flint, Michigan water crisis. Discussion occurred concerning the possible impacts of pH levels on lead pipes and chemical pollution.

President Dopudja wished a Happy New Year to everyone in attendance, and briefly commented on his attendance at the Municipal Water District of Orange County (MWDOC) Water Policy Forum and the Santa Margarita Water District (SMWD) Recycled Water Summit.

**REPORT FROM THE GENERAL MANAGER**

Mr. Ruiz reported on the following matters:

- Mr. Ruiz mentioned that with respect to the Flint, Michigan incident that the District reports to the State and its customers on an annual basis the most recent lead and copper monitoring results. The monitoring results and the District's compliance are in the annual water quality reports due by July of every year.
- Mr. Ruiz reported that the District will be temporarily shutting down its Dimension Water Treatment Plant because its source of untreated Colorado River water from the Metropolitan Water District of Southern California (MET) Santiago Lateral Pipeline will be shut down for scheduled maintenance for seven days beginning on February 21, 2016. Mr. Ruiz added that during that time, the District will receive imported treated water from its connection to the Allen-McCollugh Pipeline (AMP) and the South County System. Discussion occurred concerning the impact of the recent rains on the District's groundwater wells; Mr. Ruiz said that there has not been enough rain to saturate and fill the groundwater basin.
- Mr. Ruiz commented on his attendance at the South Orange County Wastewater Authority (SOCWA) Regular Board Meeting, and mentioned that their staff has been doing a good job of reviewing and evaluating existing agreements with members.
- Mr. Ruiz introduced Brett Paulson, Cornerstone, a right of way services company, and mentioned that he was in attendance to answer questions from the Board related to the Alternate Raw Water Transmission Pipeline-PW79.

**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.

**Action:** A motion was made by Vice President Acosta and seconded by Director Safranski to approve the Consent Calendar, Items 1 through 4.  
The motion carried 5 – 0.

**ACTION CALENDAR**  
**ADMINISTRATIVE MATTERS**

**ITEM 5: DISCUSSION AND POSSIBLE ACTION(S) CONCERNING DISTRICT TREASURER'S ANNUAL STATEMENT OF INVESTMENT POLICY**

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Mr. Ruiz presented this matter for Board review, and mentioned that the District Treasurer's Annual Statement of Investment Policy is reviewed annually per the District's Rules and Regulations. Mr. Ruiz added that Ms. Byerrum has proposed some changes to the existing policy that have been reviewed by the Finance/Audit Committee and Mr. Anslow. Ms. Byerrum reviewed the proposed changes, which included the exclusion of the Other Post Employment Benefits (OPEB) Trust with CalPERS California Employer's Retiree Benefit Trust (CERBT) Fund, the removal of the requirement to invest solely with the Local Agency Investment Fund (LAIF), and minor, non-substantive verbiage changes. President Dopudja asked regarding the reasoning behind the proposed change in Section 6 of "will" to "may" in reference to the maintenance of the required list of financial institutions; Ms Byerrum commented that the word "will" can remain in the policy, if it is the pleasure of the Board. Discussion occurred concerning the District's Reserves Policy and investment strategies.

**Action:** A motion was made by Vice President Acosta and seconded by Director Safranski to adopt Resolution No. 2016-1222, Resolution of the Board of Directors of Trabuco Canyon Water District Adopting Treasurer's Annual Statement of Investment Policy as amended.  
The motion carried 5 – 0.

**FINANCE MATTERS**

**ITEM 6: DISCUSSION AND POSSIBLE ACTION(S) CONCERNING THE FUNDING OF THE DISTRICT'S OTHER POST EMPLOYMENT BENEFIT (OPEB) OBLIGATION**

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Mr. Ruiz presented this matter to the Board for review, and highlighted the District's OPEB Funding Policy with CalPERS CERBT. Mr. Ruiz added that since the execution of the Policy, the District's Asset Allocation Strategy Discount Rate was decreased from 7.61% to 7.28% by CalPERS. Mr. Ruiz mentioned that per the attached District's policy executed in 2013 (Exhibit), the District intends to make contributions to the trust net of pay-go costs without seeking reimbursement. Mr. Ruiz presented the Actuarial Valuation Report (Exhibit), and mentioned that the Report is required on a biennial basis by the CERBT and follows Governmental Accounting Standards Board (GASB) Statements No. 43 and 45. Ms. Byerrum highlighted Section D – Development of Unfunded Actuarial Accrued Liability, and explained the difference between Explicit and Implicit Unfunded Actuarial Accrued Liabilities. Ms. Byerrum reviewed Section H – Estimated Net OPEB Obligation/(Asset) values through the end of fiscal year 2015 with the Board, and mentioned that this information is included in the Financial Report. Discussion occurred concerning Section I – Sensitivity Analysis and the impact of Discount Rate fluctuations; Ms. Byerrum explained that the Discount Rate is affected by market adjustments, and that the Section demonstrates the impact of a -0.5% to 1.0% adjustments.

**Action:** The Board received and filed the Actuarial Valuation Report of the District's Retiree Health Program as of June 30, 2015.

**ITEM 7: DISCUSSION AND POSSIBLE ACTION(S) CONCERNING THE DISTRICT'S ANNUAL FINANCIAL REPORT (AUDIT) FOR FISCAL YEAR 2014/2015**

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Mr. Ruiz presented this matter for Board review, and mentioned that the Finance/Audit Committee (Committee) had an opportunity to thoroughly review the Financial Report (Audit) for Fiscal Year 2014/2015. Mr. Ruiz added

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that the Committee recommended that Ms. Byerrum present the Audit to the Board, as opposed to The Pun Group (Auditors), as she was able to answer their questions. Ms. Byerrum presented the Audit to Board for review, and expressed her appreciation for Ms. Warner's collaborative efforts with the Auditors. Ms. Byerrum mentioned that the Audit has been presented later than years past due to delays with the preparation of the GASB 68 Valuation Report.

Ms. Byerrum reviewed the Audit with the Board, and highlighted the following items:

***BALANCE SHEET AS OF JUNE 30, 2015***

**Deferred Outflows of Resources:** Ms. Byerrum highlighted the District's contributions to employee pension plans through CalPERS and the changes in District contributions and differences between proportionate share of pension expense. Ms. Byerrum mentioned that this item is a GASB requirement.

**Noncurrent Liabilities:** Ms. Byerrum highlighted that the District's Net Pension Liability was \$1,514,199 at the end of the fiscal year, and mentioned that the District currently makes payments to CalPERS towards this unfunded liability. Discussion occurred concerning the impact of this unfunded liability on the District's financials.

**Net Position:** Ms. Byerrum highlighted that the District's Unrestricted Funds at the end of the fiscal year were \$1,618,659.

***STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION***

**Operating Expenses:** Ms. Byerrum highlighted that the District's Total Operating Expenses Operating Loss before Depreciation was at \$1,678,311 at the end of the fiscal year.

***NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015***

**Note 5-Net Other Post-Employment Benefits Obligation:** Vice President Acosta asked about the contribution of \$1,228,412 made to CalPERS in 2014, and how it affected the District's OPEB liability; Mr. Ruiz responded that the 2014 contribution reflects the initial contribution made to the CalPERS CERBT for accrued OPEB liability and that it significantly reduced the District's OPEB liability and together with planned annual contributions that the District intends to continue to decrease its OPEB liability.

Mr. Ruiz mentioned that the Auditors included the District's recently adopted rate increases in the Audit, and noted that that the rate adjustments will allow the District to properly fund operations and discontinue deficit spending.

**Action:** The Board of Directors received and filed the District's Annual Financial Report for Fiscal Year 2014/2015, as prepared by The Pun Group.

**ENGINEERING MATTERS**

**ITEM 8: ALTERNATE RAW WATER TRANSMISSION LINE – PW79**

Mr. Ruiz provided a status update on this project, and reviewed the California Office of Emergency Services (Cal OES) Response to Time Extension Request letter dated December 18, 2015 (Exhibit) which extends the Federal Emergency Management Agency (FEMA) Approved Completion Date to April 3, 2017. Mr. Ruiz commented that Tetra Tech (Consultant) is currently finalizing the 100% Design. Mr. Ruiz introduced Mr. Brett Paulson, Cornerstone (Consultant), to the Board, and mentioned that the Appraisal Reports for the right of way access

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are currently being finalized and should be received this week. Mr. Paulson briefly reviewed the five properties affected by the project, and explained that the project has minimal impact to the properties, aside from impacts to the parking and ingress and egress to the property owned by Conway Trucking. Mr. Paulson advised that the appraisals will be completed in two weeks and at that time he would like to meet with the Board to review the reports and appraised values for the various easements. Discussion occurred concerning the challenges associated with acquiring the appropriate right of way and coordinating with the property owners. Mr. Ruiz commented that Mr. Paulson's is highly qualified for this project based on his years of experience, including working with SCE and public and private property owners. Mr. Ruiz suggested scheduling a Special Board Meeting to hold a closed session to review the appraisal reports, and to provide additional direction concerning the project. Director Safranski commented on the importance of the project to the District, and highlighted the past challenges associated with the project funding and easement acquisition. Mr. Ruiz mentioned that he is planning to meet with State Senator Pat Bates on January 22<sup>nd</sup>, and with Assemblyman Bill Brough on February 5<sup>th</sup> to review the project status and the significance of the project to the District and its customers.

**Action:** The Board received the information concerning the matter, and directed the General Manager to schedule a Special Board Meeting for Tuesday, February 9, 2016 at 6:00 pm.

**ITEM 9: BAKER WATER TREATMENT PLANT**

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Mr. Ruiz provided a status update on this project, and presented the Irvine Ranch Water District (IRWD) Baker Water Treatment Plant Construction Report for January 2016 for Board review. Mr. Ruiz mentioned that according to the Report, there are a total of 93 delay days for this project. Mr. Ruiz reviewed a Powerpoint presentation which detailed the District's original construction costs for participation in the project. Discussion occurred concerning the Water Reliability Emergency Storage Fund (WRESF) total budget and the possible impact of future operational costs for the District; Mr. Ruiz commented that future cost impacts to the District include raw water costs and energy costs, but there are opportunities for the sale of water to neighboring water agencies which can offset some of these costs. Discussion occurred concerning project-related challenges, including assessment of liquidated damages, future change orders, and potential claims and costs from the contractor asserting damages.

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

**ITEM 10: DISCUSSION AND POSSIBLE ACTION(S) CONCERNING THE SKYRIDGE DEVELOPMENT**

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Mr. Ruiz provided a status update on this development, and mentioned that the draft agreement (Exhibit) has been submitted to Santa Margarita Water District (SMWD) for their review and comment. Mr. Ruiz added that the development is currently under construction.

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

**ITEM 11: DISCUSSION AND POSSIBLE ACTION(S) CONCERNING THE SADDLE CREST DEVELOPMENT**

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Mr. Ruiz provided a status update on this development, and presented the Sub-Area Master Plan (SAMP) for the development as prepared by PSOMAS. Mr. Ruiz added that the SAMP was reviewed and approved by the Engineering/Operational Committee. Mr. Ruiz highlighted Table 2-1 Water Demand Projections with the Board, and reviewed the impacts of the Model Water Efficiency Landscape Ordinance (MWELo) on projected residential water demands based on previous discussion with the Board. Discussion occurred concerning challenges associated with planned reservoir siting and sizing. Mr. Ruiz mentioned that after the approval of the SAMP, that District staff will prepare the Will Serve Letter for Board review and approval.

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**Action:** A motion was made by Vice President Acosta and seconded by Director Safranski to approve the Sub-Area Master Plan for the Saddle Crest Development, as prepared by PSOMAS.  
The motion carried 4 – 0 – 1, with Director Haselton abstaining.

**ITEM 12: PLANO TRABUCO RECYCLED WATER LINE EXTENSION**

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Mr. Ruiz provided a status update on this project, and mentioned that the six-inch Plano Trabuco Recycled Water Line was originally installed in 2005. Mr. Ruiz added that this project is an extension of the original pipeline. The proposed project would extend the existing recycled water distribution main by approximately 285 feet to the TY Nursery property line. Mr. Ruiz reviewed the overall cost summary for the project, and highlighted the proposed bids from GCI Construction and L&S Construction. Ms. Lausten reviewed the project schedule with the Board. Mr. Ruiz mentioned that TY Nursery has expressed interest in pursuing the MET Onsite Retrofit Pilot Program Incentive for Recycled Water Use, as this project is eligible for the Program, and that he would be meeting with the Nursery owner on the following Monday to review the Program requirements. Mr. Ruiz added that this project would help with the District meeting the State Water Board mandated Conservation Standard.

**Action:** A motion was made by Vice President Acosta and seconded by Director Safranski to approve the extension of the six-inch Plano Trabuco Recycled Water Line, and authorized the General Manager to contract with GCI Construction for an amount not to exceed \$25,035 for the Plano Trabuco Recycled Water Line Extension.  
The motion carried 5 - 0.

**LEGISLATIVE, ADMINISTRATIVE, AND OTHER MATTERS**

**ITEM 13: DISCUSSION AND POSSIBLE ACTION(S) CONCERNING STATEWIDE DROUGHT CONDITIONS, STATE WATER RESOURCES CONTROL BOARD (SWRCB) DROUGHT REGULATIONS, AND TCWD WATER CONSERVATION MEASURES/ACTIONS**

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Mr. Ruiz provided a status update on the matter, and reviewed the District's monitoring report for the month of December 2015. Mr. Ruiz mentioned that the District reduced its use by 29% for the month of December 2015 in comparison to December 2013. Mr. Ruiz presented a graph which tracked the District's efforts to meet the mandated Conservation Standard beginning in June 2015 to current, and mentioned that the District is on track to meet the mandated 28% reduction through February, 2016. Mr. Ruiz presented the State Water Board Fact Sheet on the Proposed Extension of the Emergency Water Conservation Regulation through October 31, 2016. Discussion occurred concerning the State Water Board proposed regulatory changes and possible impacts of the El Nino storm events. Mr. Ruiz discussed the State Water Board approved methods for determining credits towards Conservation Standard percentages, which includes credits for service area growth impacts from new development since 2013, use of recycled water for groundwater replenishment, and desalination projects since 2013. President Dopudja requested that the presented graph include conservation efforts through October 31, 2016 for continued reference purposes. Mr. Ruiz mentioned that MWDOC has notified member agencies and Turf Removal Program participants that the money received via the rebate may be considered taxable income.

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

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**ITEM 14: LOCAL GOVERNMENTAL AND LEGISLATIVE INFORMATIONAL MATTER(S)**

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Mr. Ruiz reported on the following local governmental and/or legislative informational matter(s):

- Mr. Ruiz mentioned that the MWDOC Water Policy Forum and Dinner is scheduled for Friday, January 22, 2016, and the Keynote Speaker is Ms. Felicia Marcus, State Water Board Chair. Mr. Ruiz noted that this is the second time that Chair Marcus has participated in the Water Policy Forum. Mr. Ruiz said that any Directors that are interested in attending this event can coordinate with Mr. Perea for registration.
- Mr. Ruiz mentioned that the District received a letter from MWDOC regarding the preparation of their Fiscal Year 2016/2017 Budget, and that they have started a cost of service analysis with Raftelis Financial Consultants, Inc.

**Action:** No action taken.

**OTHER MATTERS**

None

**CLOSED SESSION NO. 1**

The Board of Directors, through President Dopudja, recessed the Open Session portion of the Meeting at 8:38 PM. The Board met in Closed Session as set forth in the Meeting Agenda.

The Board, through President Dopudja, reconvened the Open Session of the Meeting at 8:54 PM.

**ITEM 15: REPORT OF ACTION(S) TAKEN IN CLOSED SESSION**

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**Action:** The Board received information concerning the matter. There was no other announcement at that time.

**CLOSED SESSION NO. 2**

The Board of Directors, through President Dopudja, recessed the Open Session portion of the Meeting at 8:54 PM. The Board met in Closed Session as set forth in the Meeting Agenda.

The Board, through President Dopudja, reconvened the Open Session of the Meeting at 9:22 PM.

**ITEM 16: DISCUSSION AND POSSIBLE ACTION RELATED TO THE GENERAL MANAGER'S YEAR END PERFORMANCE EVALUATION**

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**Action:** The Board of Directors, through President Dopudja, announced that the General Manager has been directed to conduct a Salary Survey of all District staff with an independent, third-party consultant. There was no other announcement.

**ADDITIONAL DIRECTORS' COMMENTS**

There were no Additional Directors' Comments received.

**ADDITIONAL GENERAL MANAGER COMMENTS**

There were no General Manager Comments received.

**END ACTION CALENDAR**

**ADJOURNMENT**

President Dopudja adjourned the January 20, 2016, Regular Board meeting at 9:23 PM.