



MINUTES OF THE REGULAR BOARD MEETING OF THE BOARD OF DIRECTORS OF TRABUCO CANYON WATER DISTRICT | DECEMBER 21, 2016

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 Don Chadd
Director Edward Mandich
Director Michael Safranski

STAFF PRESENT

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

DISTRICT CONSULTANTS PRESENT:

District General Legal Counsel – Rob Anslow (Bowie, Arneson, Wiles & Giannone)
District Treasurer – Cindy Byerrum (Platinum Consultants)
Mr. Georg Krammer, Koff and Associates

PUBLIC PRESENT

There were members of the public present.

PLEDGE OF ALLEGIANCE

Vice President Acosta led the Board and District staff in the pledge of allegiance.

VISITOR PARTICIPATION

Jason Stroud, District employee, addressed the Board of Directors concerning the Salary and Total Compensation Survey (Study) prepared by Koff and Associates (Koff), and expressed concern regarding its accuracy and validity. Mr. Stroud said that the interview process was limited in its scope, and as a result, Koff does not understand the District's employee duties and responsibilities. Mr. Stroud expressed that the Study was not prepared with the proper comparable positions, and as such, lowered the proposed salary placements. Mr. Stroud added that he was disappointed with the process, and believed that it was an unwise investment.

Kris Hanberg, District employee, addressed the Board of Directors concerning the Study prepared by Koff, and provided a brief review of his experience of twenty-five years as a District employee. Mr. Hanberg expressed concerns with the development process of the Study, and identified what he believed to be position

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classification issues. Mr. Hanberg expressed that he was disappointed with the process, and could not determine if the consultant was inexperienced or that they were directed to achieve certain results.

ORAL COMMUNICATION

No oral communication was received.

DIRECTOR'S COMMENTS

Director Chadd commented on his attendance at Association of California Water Agencies (ACWA) Conference, and provided brief highlights from the event.

Vice President Acosta wished Happy Holidays to everyone in attendance.

Director Safranski wished everyone Happy Holidays, Merry Christmas, and a Happy New Year. Director Safranski expressed his appreciation for District staff, and expressed his best wishes to the audience and his fellow Directors.

Director Mandich wished everyone Happy Holidays. Director Mandich commented on his attendance at the City of Rancho Santa Margarita City Council Meeting, and reported on the Council changes. Director Mandich added that Santa Margarita Water District was in attendance to discuss their new water, wastewater, and recycled water rates effective January 1, 2017. Director Mandich mentioned that City staff reported that the City had received a public information request concerning the rezoning of Dove Plaza.

President Dopudja wished everyone Happy Holidays and a prosperous New Year, and expressed his appreciation for the participation of the District staff members in the audience.

REPORT FROM THE GENERAL MANAGER

Mr. Ruiz reported on the following matters:

- Mr. Ruiz reported that District staff mailed a Notice of Adjustment to the Schedule of Rates, Fees and Charges effective January 1, 2017 in the customer utility bills for the month of November 2016 and posted the Notice on the District's website, in accordance with Proposition 218.
- Mr. Ruiz reported that the Finance/Audit Committee Check Signing scheduled for December 28, 2016 has been cancelled due to reduced staff because of the holidays.

ITEMS TOO LATE TO BE AGENDIZED

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

Mr. Ruiz requested that Item 9 be moved to the end of the Action Calendar to conduct the regular course of business. The Board of Directors, through President Dopudja, concurred with Mr. Ruiz' request, and moved Item 9 to the end of the Action Calendar.

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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 5.
The motion carried 5 – 0.

ACTION CALENDAR

ADMINISTRATIVE MATTERS

ITEM 6: ELECTION OF BOARD OFFICERS

The General Manager, Mr. Hector Ruiz, commented that pursuant to the District’s General Policy and Rules and Regulations, the annual election for the offices of President and Vice President of the Board of Directors were to be held.

OFFICE OF PRESIDENT

Mr. Ruiz opened the nominations for the Office of Board President (President). Director Safranski nominated Director Acosta for the Office of President. Director Chadd seconded the nomination of Director Acosta for the Office of President. There were no other nominations for the Office of President.

Action: Mr. Ruiz called for votes in favor of Director Acosta for the Office of President. Votes were cast orally, and Director Acosta was voted for the Office of President with a 5 – 0 vote.

OFFICE OF VICE PRESIDENT

Mr. Ruiz opened the nominations for the Office of Vice President. Director Chadd nominated Director Safranski for the Office of Vice President. President Acosta seconded the nomination of Director Safranski for the Office of Vice President. There were no other nominations for the Office of Vice President.

Action: Mr. Ruiz called for votes in favor of Director Acosta for the Office of President. Votes were cast orally, and Director Safranski was voted for the Office of Vice President with a 5 – 0 vote.

ITEM 7: DISCUSSION AND POSSIBLE ACTION(S) CONCERNING 2017 BOARD MEMBER COMMITTEE APPOINTMENTS AND AGENCY REPRESENTATIVE ASSIGNMENTS

Mr. Ruiz presented this matter to the Board for consideration, and mentioned that the enclosed staff report shows the current Committee assignments, and that the District’s Rules and Regulations require the approval of Committee Member and Agency Representative appointments at this time. Discussion occurred among the Board concerning assignments for Calendar Year 2016, and during the discussion, President Acosta made the following Committee assignments:

DISTRICT STANDING COMMITTEES	CHAIR	MEMBER	ALTERNATE
Engineering/Operational Committee	Mandich	Dopudja	Chadd
Executive Committee	Safranski	Acosta	None
Finance/Audit Committee	Chadd	Acosta	Safranski

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AD HOC COMMITTEES	CHAIR	MEMBER	ALTERNATE
District Property Ad Hoc Committee	Dopudja	Chadd	None
MEMBER AGENCY REPRESENTATIVE ASSIGNMENTS	TITLE	PRIMARY	SECONDARY
Association of California Water Agencies	Director	Safranski	None
Baker Water Treatment Plant Project Committee	Member	Ruiz	Dopudja
California Special Districts Association	Delegate	Acosta	None
Independent Special Districts of Orange County	Member	Chadd	Dopudja
Santiago Aqueduct Commission	Commissioner	Chadd	Mandich
MEMBER AGENCY REPRESENTATIVE ASSIGNMENTS, cont.	TITLE	PRIMARY	SECONDARY THIRD
South Orange County Wastewater Authority Board	Director	Dopudja	Mandich Ruiz
South Orange County Wastewater Authority Engineering Committee (Staff)	Staff Member	Ruiz	Lausten
South Orange County Water Agencies	Liaison	Chadd	Ruiz
South Orange County Watershed Management Area Executive Committee	Member	Mandich	Chadd
ORGANIZATION REPRESENTATIVE ASSIGNMENTS	TITLE	PRIMARY	SECONDARY
American Water Works Association	Liaison	Ruiz	None
City of Santa Margarita City Council Meeting No. 1	Liaison	Mandich	Chadd
City of Santa Margarita City Council Meeting No. 2	Liaison	Chadd	Safranski
Local Agency Formation Commission	Liaison	Ruiz	None
Municipal Water District of Orange County Board	Liaison	Dopudja	None
Water Advisory Committee of Orange County	Member	Acosta	None

Action: President Acosta assigned the Committee Members and Agency Representatives.

FINANCIAL MATTERS

ITEM 8: DISCUSSION AND POSSIBLE ACTION(S) CONCERNING TRABUCO CANYON WATER DISTRICT’S FISCAL YEAR 2015/2016 FINANCIAL REPORT (AUDIT)

Mr. Ruiz presented this matter for Board review, and mentioned that the Fiscal Year 2015/2016 Financial Report (Audit) was reviewed at the prior Regular Board Meeting with The Pun Group, the District’s auditors, but additional non-substantive language specific to the District’s CalPERS pension plans needed to be included. Mr. Ruiz added that the Board had previously approved the Audit at that time pending the inclusion of this additional language.

Action: A motion was made by Director Mandich and seconded by Director Safranski to file the Trabuco Canyon Water District Fiscal Year 2015/2016, as presented. The motion carried 4 – 0 - 1, with Director Chadd absent.

ENGINEERING MATTERS

ITEM 10: BAKER WATER TREATMENT PLANT

Mr. Ruiz provided a status update on this project, and mentioned that Irvine Ranch Water District (IRWD) has delayed the start up of the facility to begin on January 4, 2017 due to holiday scheduling conflicts by the contractor and its vendors. Mr. Ruiz added that after the initial ten-day operational test that IRWD will conduct a thirty-day performance test of the facility during which time water will be delivered to the member agencies.

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Mr. Ruiz added that he is currently working with Municipal Water District of Orange County (MWDOC) staff on the Billing Letter Memorandum of Understanding language specific to the District's sale of excess Baker water to member and non-member agencies alike, and that he will have additional information for Board review at a later date.

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

ITEM 11: ALTERNATE RAW WATER TRANSMISSION LINE – FEMA NO. PW79

Mr. Ruiz provided a status update on this project, and mentioned that the proposals for the construction of this project were reviewed with the Engineering/Operational Committee. Mr. Ruiz added that the lowest bidder, Paulus Engineering, failed to submit the Disadvantaged Business Enterprise (DBE) documentation as required by the Federal Emergency Management Agency (FEMA), and has requested to withdraw its bid due to incorrect slurry costs in their bid. Mr. Ruiz added that the second lowest bidder has been contacted to make them aware of this development in order to prepare for the submittal of FEMA required documentation and project scheduling. Mr. Ruiz reported that FEMA and CalOES has been made aware of Paulus' withdrawal request and failure to submit the DBE documentation, and has advised District staff to proceed according to its project bid policy. Mr. Ruiz mentioned that District staff is scheduled to meet with the second lowest bidder, Ferreira Constructors, the following day to discuss the project requirements and schedule. Discussion occurred concerning the options available to award the construction contract; Mr. Ruiz recommended bringing this matter back to the following Regular Board Meeting for award.

Action: A motion was made by Director Safranski and seconded by Director Chadd to reject the bid of Paulus Engineering, Inc., on the grounds that:

- (1) Paulus failed to submit the required post-bid Disadvantaged Business Enterprise documentation, as required by Part 1.09 of Section 00750 of the Special Provisions to the Contract; and
- (2) TCWD is consenting to Paulus' request to withdraw its bid pursuant to Public Contract Code Section 5101, based on Paulus' submission of written notice of a material bid mistake within five days of the opening of bids, amounting to a \$147,141 mistake caused by an error inputting its slurry unit pricing.

TCWD staff shall provide written notice of this action to Paulus, and move forward with the evaluation of the bid of the next lowest responsive bidder to bring back to the Board for consideration at the next Regular Board Meeting.

The motion carried 5 – 0.

LEGISLATIVE, ADMINISTRATIVE, AND OTHER MATTERS

ITEM 12: DISCUSSION AND POSSIBLE ACTION(S) CONCERNING STATEWIDE DROUGHT CONDITIONS, STATE WATER RESOURCES CONTROL BOARD (SWRCB) DROUGHT REGULATIONS, AND TCWD WATER CONSERVATION MEASURES/ACTIONS

Mr. Ruiz provided a status update on the matter, and reported that the District's customers demand reduced by 4% in the month of November 2016 in comparison to the same month in 2013. Mr. Ruiz briefly discussed Executive Order B-37-16 released by State Agencies, including the State Water Board and the Department of Water Resources, concerning the draft plan for achieving long-term efficient water use and meeting drought

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preparedness goals. Mr. Ruiz mentioned that he submitted verbal comments to the State on behalf of the District, highlighting the District's unique service area needs which include water use for mandatory fuel modification zones and the significant use of recycled water to offset the purchase of potable water. Mr. Ruiz added that another element of the Executive Order is the plan to implement water budgets for all water agencies in the State beginning in 2018. Discussion occurred concerning the challenges associated with implementing water budgets for agencies unilaterally across California during the proposed time frame.

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

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

Mr. Ruiz reported the following matters:

- Mr. Ruiz reported that the District has received the President's Award from the Association of California Water Agencies Joint Powers Insurance Authority (ACWA/JPIA). Mr. Ruiz said that this award was due to the District achieving a low ratio of paid claims and case reserves to deposit premium in the Property Insurance Program for 2012 through 2015.
- Mr. Ruiz notified the Board that the MWDOC Semi-Annual Elected Officials Forum is scheduled for January 5, 2017, and that any Directors that are interested in attending this event can coordinate with Mr. Perea.

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

ITEM 9: DISCUSSION AND POSSIBLE ACTION(S) CONCERNING DISTRICT ORGANIZATION, TOTAL COMPENSATION AND SALARY STUDY, DISTRICT ORGANIZATIONAL CHANGES AND EMPLOYEE COMPENSATION

Mr. Ruiz presented this matter for Board review, and delivered a brief Power point presentation that provided background on the proposed Organization and Salary and Total Compensation Survey (Survey). Mr. Ruiz explained that the purpose of the Survey was to review the District's current Organization and Staff Classifications in comparison with a select list of ten comparator agencies which were approved by the Executive Committee earlier in the year. Mr. Ruiz added that he has met with District staff to review the preliminary results of the Survey, and that although it has been a good exercise, that additional clarity is necessary for the completion and implementation of the proposed Survey results. Mr. Ruiz added that there have been no cost of living adjustments (COLA) since before 2012 and that the prior four years have been challenging due to pension reform, the impacts of the statewide drought on the District's revenue, and loss of senior staff due to retirement and resignations. Mr. Ruiz said that due to the need of better guidance on how to address employee salary and total compensation, that the Board authorized the General Manager to conduct a salary survey and to evaluate the needs of the Organization. Mr. Ruiz briefly highlighted the current approved District Organizational Structure, and indicated recent vacant positions due retirement and resignation. Mr. Ruiz added that these vacancies posed challenges in certain departments, especially in the Water Operations and Maintenance Departments, to which he mentioned that there is a regulatory requirement for the District to have a maintenance program, but there is not a regulatory requirement for the District to have a Maintenance Department, however, there is no changes being recommended to not have a Maintenance Department. Mr. Ruiz did mention that he is recommending the consolidation of the Meter, Customer Service and Accounting Departments into one Administrative Services Department.

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Mr. Ruiz introduced Mr. Georg Krammer with Koff and Associates to the Board, and mentioned that Mr. Krammer would present the results of the Survey more fully. Mr. Krammer provided the Board with his experience, credentials, background, and follow-up with a Power point presentation on the results of the Survey as follows:

Compensation Process and Methodology

Mr. Krammer reviewed the goals of the Survey, which included the Board's concern that District employees be recognized for level and scope of work performed; compensate employees on a fair and competitive basis to recruit and retain a high-quality staff; the development of a compensation plan that meets the needs of the District and unique services that it provides that requires specialized technical skill sets in its workforce; and to ensure equity across all departments. Mr. Krammer reviewed the Survey elements which included ten comparator agencies to benchmark classifications through the use of job classification of specific positions and an analysis of the employee benefits provided by the District. Mr. Krammer reviewed the ten comparator agencies with the Board, and mentioned that although there are never any exact matches that the goal was to find agencies similar to the District in size, population, services provided, living factors, and median home price. Mr. Krammer reviewed the data collection process which included the review of job/classification descriptions, memoranda of understanding, organizational charts, salary information, with the goal of 70% match-up between similar job descriptions.

Study Results and Recommendations

Mr. Krammer reviewed the Market Findings with the Board, and reported that the District's overall base salary market results are 10.4% below market median and range from 27.6% above to 38.6% below median; the District's total compensation results are 1.3% above market median, which indicates that the District's employee benefits are greater than the market; and that actual employee salaries may be different from the range maximum that was compared to the market. Mr. Krammer reviewed the Benefit Findings with the Board, and reported that the District's commitment to CalPERS employer paid member contributions (EPMC) and Social Security contributions place the District in a more competitive position when compared to the market, but that the EPMC costs will decline as new employees replace senior employees. Mr. Krammer encouraged the Board and District staff to track the impact of pension reform total compensation.

Mr. Krammer reviewed the Compensation Structure and Strategy Development through the incorporation of the origin of a compensation philosophy and the design of compensation structure. Mr. Krammer added that actual employee pay is determined through the placement of job classes within the developed compensation structure. Mr. Krammer emphasized the importance of ongoing maintenance and administration of the compensation structure to ensure competitiveness and ongoing equity across departments. Mr. Krammer reviewed the recommended salary plan scenarios based on the market median, and reviewed the proposed salary structure and the differential between ranges and steps. Mr. Krammer added that the General Manager has indicated that the development of a market value compensation for entry level positions, and a median plus ten percent range of salary for positions with two years of experience at the District be considered.

Board Input, Questions, and Directions

Director Mandich expressed concern with respect to the employee comments on the matter, and asked if there were similarities between the District and the comparator agencies, or were the differences significant. Mr. Krammer said that differences in agency comparisons are not uncommon, and that exact matches are not typical.

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Vice President Safranski commended District staff on its efficient staffing model, and asked if the District's small but unique and complex nature was taken into account in the Survey. Mr. Krammer replied that he believed this to be the case, but typically in small agency comparisons that an exact match for job classifications does not occur, and as such, the Survey strives for a goal of 70% similarity.

Director Dopudja commented on the development process at the Executive Committee level, and mentioned that the information presented represents significant improvements based on feedback provided to the General Manager. Director Dopudja added that the final Survey Report is a good product, and represents a first step for District management to address the implementation of industry standards with respect to employee salary and total compensation.

Director Chadd asked Mr. Krammer questions regarding the development of the Survey Report, including comparator agency assumption such as agency size, services provided, service area challenges, and operational complexity; Mr. Krammer restated that the identification of a comparator agency exact match is impossible, therefore, the comparator agencies used are assigned a match minimum threshold of 70%. Director Chadd questioned the primary goal of the Survey process, and emphasized the importance of attracting quality employee candidates while retaining dedicated long-term employees that understand the District's service area and operational systems. Director Chadd asked Mr. Krammer about the data collection process and if Koff met with all District employees and if the process included an analysis of employee loyalty; Mr. Krammer said that each employee completed a Position Description Questionnaire (PDQ) that provided specific information related to their current employment position, and conducted interview of select employees that expressed an interest in being interviewed, but that employee loyalty was not a determining factor.

Vice President Safranski asked Mr. Krammer about the number of employee interviews conducted; Mr. Krammer reported that six employees were interviewed post completion of the PDQs, but that the questions were primarily driven by Fair Labor Standards Act (FLSA) requirements.

President Acosta commented on his public sector experience, and mentioned that these types of Survey Reports are typical. President Acosta added that he understood the importance of equal treatment for employees, and mentioned that employee compensation needs to meet the complexities and unique qualities of the District's employees.

CLOSED SESSION NO. 1

The Board of Directors, through President Acosta, recessed the Open Session portion of the Meeting at 8:46 PM.

The Board met in Closed Session as set forth in the Meeting Agenda.

The Board, through President Acosta, reconvened the Open Session of the Meeting at 9:45 PM.

President Acosta addressed the audience by stating that the Board has received the Survey Report and the recommendations for the District's new Organizational Structure. President Acosta said that the Board has made recommendations to the General Manager concerning the proposed classification placement, and expressed hope that everyone can continue as a team.

Action: A motion was made by Director Mandich and seconded by Director Safranski on the following actions:

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1. Receive information and presentation from Koff and Associates of the Total Compensation Study Final Report at the time of the Board Meeting;
 2. Receive and file the Total Compensation Study Final Report as prepared by Koff and Associates.
 3. Approve the proposed Salary Plan as prepared by Koff and Associates dated December 14, 2016 and effective January 1, 2017.
 4. Approve the District Organizational changes and new Organization as revised December 21, 2016 and effective January 1, 2017.
 5. Approve the District Pay table with Classifications and Monthly Salary Ranges revised December 21, 2016 and effective January 1, 2017.
 6. Approve increase in Fiscal Year 16/17 Salaries Budget from \$1,630,900 to \$1,744,092 and Fiscal Year 16/17 Total Compensation Budget from \$2,036,600 to \$2,226,860.
 7. Authorize the General Manager to prepare and implement Job Descriptions for the corresponding new Organization, new classifications, and new salary ranges.
- The motion carried 5 – 0.

President Acosta opened the floor for questions or statements from the audience. Mr. Ruiz provided handouts concerning the Survey Report, District Organizational changes and Employee Classification Placement of the approved Salary Plan.

Mr. Stroud addressed the Board concerning the District Organizational changes, and asked about the Lead Mechanical Technologist (SCADA) position; Mr. Ruiz responded that this new position is set for the promotion of an existing employee.

Mr. Hanberg addressed the Board, and commented on the difficult challenges associated with the Survey process. Mr. Hanberg added that this was the first time that he did not feel valued as an employee in his twenty-five years of service as a District employee, and that he was disturbed by the whole process.

Mr. Perea addressed the Board, and asked for clarification concerning the new District Organizational Structure as there was not a legend for the position colors; Mr. Ruiz clarified the signification of the colors at certain positions.

CLOSED SESSIONS

The Board of Directors, through President Acosta, recessed the Open Session portion of the Meeting at 10:07 PM. The Board met in Closed Session as set forth in the Meeting Agenda.

The Board, through President Acosta, reconvened the Open Session of the Meeting at 11:05 PM.

ITEM 14: REPORT OF ACTION(S) TAKEN IN CLOSED SESSIONS

Action: ***Closed Session No. 2:*** The Board of Directors received information concerning the matter, and there was no announcement.

Closed Session No. 3: The Board of Directors received information concerning the matter, and there was no announcement.

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Closed Session No. 4: The Board of Directors received information concerning the matter. A motion was made by Director Chadd and seconded by Director Safranski for the Board of Directors to authorize the General Manager to retain separate legal representation for a not to exceed amount of \$15,000.
The motion carried 5 – 0.

Closed Session No. 5: The Board of Directors received information concerning the matter, and there was no announcement.

OTHER INFORMATION/MATTERS

There was no other information or matters received.

ADDITIONAL DIRECTORS' COMMENTS

There were no additional Directors' comments received.

ADDITIONAL GENERAL MANAGER COMMENTS

There were no additional General Manager comments received.

END ACTION CALENDAR

ADJOURNMENT

President Dopudja adjourned the December 21, 2016, Regular Board Meeting at 11:06 PM.