



**EXECUTIVE COMMITTEE MEETING AGENDA
TRABUCO CANYON WATER DISTRICT
ADMINISTRATIVE FACILITY
32003 DOVE CANYON DRIVE, TRABUCO CANYON, CA
AUGUST 5, 2024 AT 5:00 PM**

COMMITTEE MEMBERS

Ed Mandich, Committee Chair
Stephen Dopudja, Committee Member

DISTRICT STAFF

Fernando Paludi, General Manager
Michael Perea, District Secretary

AGENDA NOTE:

Trabuco Canyon Water District (District) will make this meeting available by telephone audio as follows:

Telephone Audio: 1 (669) 900-6833

Access Code: 979 8688 5071

Persons desiring to monitor the Committee meeting agenda items may download the Executive Committee meeting agenda and documents on the internet at www.tcwd.ca.gov. You may submit public comments by email to the Committee at mperea@tcwd.ca.gov. In order to be part of the record, emailed comments on meeting agenda items must be received by the District, at the referenced e-mail address, not later than 10:00 a.m. (PDT) on the day of the meeting.

CALL MEETING TO ORDER

VISITOR PARTICIPATION

Members of the public wishing to address the Committee regarding a particular item on the agenda are requested to complete a speaker card and submit it to staff. The Committee Chair will call on the visitor following the Committee's discussion about the matter. Committees do not constitute a quorum of the Board of Directors and Committee Members cannot make decisions on matters. The Committee makes recommendations only to the Board of Directors. Members of the public will be given the opportunity to speak to the Committee prior to making a recommendation on the matter. For persons desiring to make verbal comments and utilizing a translator to present their comments into English reasonable time accommodations, consistent with State law, shall be provided. Please limit comments to three minutes.

ORAL COMMUNICATION

Members of the public who wish to make comment on matters not appearing on the agenda are invited to identify themselves and encouraged to make comment at this time. The Committee Chair will call on the visitor following the Committee's discussion about the matter. Committees do not constitute a quorum of the Board of Directors and Committee Members cannot make decision on matters. The Committee makes recommendations only to the Board of Directors. Under the requirements of State Law, Committee Members cannot take action on items not identified on the agenda and will not make decisions on such matters. The Committee Chair may direct District Staff to follow up on issues as may be deemed appropriate. For persons desiring to make verbal comments and utilizing a translator to present their comments into English reasonable time accommodations, consistent with State law, shall be provided. Please limit comments to three minutes.

COMMITTEE MEMBER COMMENTS

REPORT FROM THE GENERAL MANAGER

**TRABUCO CANYON WATER DISTRICT
EXECUTIVE COMMITTEE MEETING AGENDA | AUGUST 5, 2024**

ADMINISTRATIVE MATTERS

ITEM 1: APPROVAL OF EXECUTIVE COMMITTEE MEETING RECAP

RECOMMENDED ACTION:

Approve the following Executive Committee Meeting Recap and recommend that the Board receive and file the same (Consent Calendar):

1. July 1, 2024

DISCUSSION MATTERS

ITEM 2: BOARD AGENDA PLANNING CALENDAR

RECOMMENDED ACTION:

Receive information at the time of the meeting and take action(s) as deemed appropriate.

ITEM 3: TCWD RESPONSE TO 2023-24 ORANGE COUNTY GRAND JURY REPORT

RECOMMENDED ACTION:

Receive information at the time of the meeting and take action(s) as deemed appropriate

ITEM 4: DISCUSSION ON HUMAN RESOURCES AND HEALTH BENEFITS THIRD-PARTY ADMINISTRATOR SUPPORT SERVICES

RECOMMENDED ACTION:

Receive information at the time of the meeting and take action(s) as deemed appropriate.

OTHER MATTERS

ITEM 5: REPORTS OR COMMENTS FROM THE GENERAL MANAGER AND/OR STAFF

RECOMMENDED ACTION:

Hear other matters from the General Manager and/or Staff.

ADJOURNMENT

AVAILABILITY OF AGENDA MATERIALS

Agenda exhibits and other writings that are disclosable public records distributed to all or a majority of the members of the Trabuco Canyon Water District Board of Directors in connection with a matter subject to discussion or consideration at an open meeting of the Board of Directors are available for public inspection at the District Administrative Facility, 32003 Dove Canyon Drive, Trabuco Canyon, California (District Facility). If such writings are distributed to members of the Board less than 72 hours prior to the meeting, they will be available in the lobby area of the District Facility at the same time as they are distributed, except that, if such writings are distributed immediately prior to or during the meeting, they will be available in the Boardroom at the District Facility.

COMPLIANCE WITH THE REQUIREMENTS OF CALIFORNIA GOVERNMENT CODE SECTION 54954.2

In compliance with California law and the Americans with Disabilities Act, if you need special disability-related modifications or accommodations, including auxiliary aids or services in order to participate in the meeting, or if you need the agenda provided in an alternative format, please contact the District Secretary at (949) 858-0277 at least 48 hours in advance of the scheduled meeting. Notification 48 hours prior to the meeting will assist the District in making reasonable arrangements to accommodate your request. The District office is wheelchair accessible.

www.tcwd.ca.gov



**TRABUCO CANYON WATER DISTRICT
EXECUTIVE COMMITTEE MEETING | AUGUST 5, 2024**

ADMINISTRATIVE MATTERS

ITEM 1: APPROVAL OF EXECUTIVE COMMITTEE MEETING RECAP

Information will be presented at the time of the meeting.

RECOMMENDED ACTION:

Approve the following Executive Committee Meeting Recap and recommend that the Board receive and file the same (Consent Calendar):

1. July 1, 2024

CONTACTS (staff responsible): PALUDI/PEREA



TRABUCO CANYON WATER DISTRICT EXECUTIVE COMMITTEE MEETING RECAP | JULY 1, 2024

DIRECTORS PRESENT

Vice President Ed Mandich, Committee Chair
President Stephen Dopudja, Committee Member

STAFF PRESENT

Fernando Paludi, General Manager
Michael Perea, Assistant General Manager
Roseann Lejsek, Administrative Assistant
Jason Stroud, Maintenance Superintendent

CONSULTANTS PRESENT

Claire Collins, District General Legal Counsel – Handon Bridgett, LLC

PUBLIC PRESENT

None

CALL MEETING TO ORDER

Vice President Mandich called the July 1, 2024 Executive Committee Meeting to order at 5:00 PM.

VISITOR PARTICIPATION

No visitor participation was received.

ORAL COMMUNICATION

No oral communication was received.

COMMITTEE MEMBER COMMENTS

None

REPORT FROM THE GENERAL MANAGER

Mr. Paludi reported that the District received a report from the Orange County Grand Jury that requires certain responses from the District. Mr. Paludi stated that he will bring conceptual responses back to the Committee for their input.

ADMINISTRATIVE MATTERS

ITEM 1: APPROVAL OF EXECUTIVE COMMITTEE MEETING RECAP

Mr. Paludi presented the Executive Committee Meeting Recap(s) for Committee consideration in accordance with the agenda.

MOTION: Approve the Executive Committee Meeting Recap(s) and recommend the Board of Directors receive and file the same (Consent Calendar) – Director Dopudja

SECOND: Director Mandich

AYES: Directors Mandich & Dopudja

NOES: None

ABSTAIN: None

**TRABUCO CANYON WATER DISTRICT
EXECUTIVE COMMITTEE MEETING RECAP | JULY 1, 2024**

MOTION PASSED/FAILED: Passed 2 – 0

DISCUSSION MATTERS

ITEM 2: BOARD AGENDA PLANNING CALENDAR

Mr. Paludi provided a handout that included the following agenda planning items for Committee review and consideration:

July 2024

Regular Board Meeting – 7/18

- Ratify E/O approval of SCADA integration agreement with W.M. Lyles Co. (E/O)
- Conduct Public Hearing for Undeveloped Land Standby Charges (F/A)
- Adoption of Undeveloped Land Standby Charges (F/A)
- Adopt Resolution Establishing Appropriations Limit for FY 24/25 (F/A)
- **Closed Session:** Rutter Development Settlement Update

August 2024

Regular Board Meeting – 8/15

- Receive Easements for Barneberg SLS and Bell Canyon SLS (E/O)
- Award Recycled Water P.S. Improvements Design Contract (E/O)
- Award HR Support Services Contract (Exec and F/A)
- Health Insurance Benefit Determination (F/A)
- Approval of District Sponsorship of 2024 OC Water Summit (F/A)

September 2024

Regular Board Meeting – 9/19

- Biennial Review of District’s Conflict of Interest Code (Exec)

Other Potential Future Board Items

- Settlement Offer with Rutter Development (Closed Session)
- Accept Saddle Crest Facilities (tent)

Discussion occurred concerning the District’s challenges in completing the SCADA integration project, and he reported that the District has terminated its contract with TESCO in April. Mr. Paludi stated that the District brought W.M. Lyles Co. on board to immediately assist with these issues, and he added that the District plans to contract with W.M. Lyles Co. to complete the project.

Mr. Paludi reported that a second leak on the El Toro Force Main was located and repaired. Discussion occurred potential issues in the future as well as possible options for repair. Mr. Paludi stated that the District Engineer is researching possible cost-effective solutions, including slip-lining a portion of the sewer force main.

Mr. Paludi reported that he would not be in attendance at the July Engineering/Operational Committee Meeting as he would be at Municipal Water District of Orange County (MWD OC) participating in a panel discussion on the Metropolitan Water District of Southern California (MET) business model.

Mr. Perea provided an update on the HR/Benefits Support Services RFQ, and he reported that staff issued the RFQ to 6 firms and that 2 responded with proposals for services. Mr. Perea also reported that staff met with both

**TRABUCO CANYON WATER DISTRICT
EXECUTIVE COMMITTEE MEETING RECAP | JULY 1, 2024**

respondents and that each will provide a proposal that will be brought forward for the Committee and full Board's review.

MOTION: None – Informational item only.

ITEM 3: REPORTS OR COMMENTS FROM THE GENERAL MANAGER AND/OR STAFF

Ms. Collins provided a brief update on new water rates-related legislation, and she reported that all 3 bills have passed with bipartisan support.

Ms. Collins reported that the Supreme Court session closed, and she noted one of the Court's decisions affecting the Chevron deference standard. Ms. Collins stated that she will put together an analysis and high-level update for the full Board of Directors.

Mr. Paludi reported that the Ground Water Treatment Facility was still online at full production capacity.

ADJOURNMENT

Vice President Mandich adjourned the July 1, 2024 Executive Committee Meeting at 5:38 p.m.

DRAFT

**TRABUCO CANYON WATER DISTRICT
EXECUTIVE COMMITTEE MEETING | AUGUST 5, 2024**

DISCUSSION MATTERS

ITEM 2: BOARD AGENDA PLANNING CALENDAR

Information will be presented at the time of the meeting.

RECOMMENDED ACTIONS:

Receive information at the time of the meeting and take action(s) as deemed appropriate.

CONTACTS (staff responsible): PALUDI/PEREA

**TRABUCO CANYON WATER DISTRICT
EXECUTIVE COMMITTEE MEETING | AUGUST 5, 2024**

DISCUSSION MATTERS

ITEM 3: TCWD RESPONSE TO 2023-24 ORANGE COUNTY GRAND JURY REPORT

On June 21, 2024, the Orange County Grand Jury released a report titled *“Emerging Opportunities in South County Water/Wastewater Systems.”* The report, included as Exhibit 1, requests that Trabuco Canyon Water District (TCWD) respond to certain findings and recommendations in the report, namely:

- Finding F4: *“There is currently no unified strategy for the future of water/wastewater provision in South Orange County.”*
- Recommendation R2: *“The OCGJ recommends that by January 1, 2025, LAFCO form a taskforce comprising representatives of affected water agencies to study the transformation of SOCWA and prepare a report on the future of water/wastewater in South Orange County.”*

California Penal Code Section 933 requires the governing body of any public agency which the Grand Jury has reviewed, and about which it has issued a final report, to comment to the Presiding Judge of the Superior Court on the finding and recommendations pertaining to matters under the control of the governing body, no later than 90 days after the report is published. Accordingly, TCWD has prepared a letter responding to Finding F4 and Recommendation R2 as requested in the report. The draft letter is included as Exhibit 2.

FUNDING SOURCE:

Not applicable

FISCAL IMPACT

Not applicable

RECOMMENDED ACTIONS:

Receive information at the time of the meeting and take action(s) as deemed appropriate.

EXHIBIT(S):

1. 2023-24 OCGJ Report *“Emerging Opportunities in South County Water/Wastewater Systems.”*
2. TCWD Draft Response Letter

CONTACTS (staff responsible): PALUDI/COLLINS



Emerging Opportunities in South County Water/Wastewater Systems



GRAND JURY 2023-2024

TABLE OF CONTENTS

SUMMARY 3

BACKGROUND 3

REASON FOR THE STUDY 7

METHOD OF STUDY..... 7

INVESTIGATION AND ANALYSIS..... 9

WATER SYSTEMS – THE CONSOLIDATION PROCESS 9

Case Study: City of San Juan Capistrano and Santa Margarita Water District 9

LAFCO’s Regulatory Role: Municipal Service Reviews 9

Summation 13

WASTEWATER SYSTEMS - REGIONAL COLLABORATION 13

Case Study: South Orange County Wastewater Authority (SOCWA)..... 13

Joint Power Authority: Governing Structure..... 15

SOCWA: Disputes and Succession 16

Summation 18

THE PATH FORWARD 19

COMMENDATIONS..... 21

FINDINGS 22

RECOMMENDATIONS..... 22

RESPONSES..... 23

Responses Required 24

REFERENCES..... 25

GLOSSARY 29

APPENDICES..... 31

APPENDIX 1..... 31

South Orange County Water Resource Agencies..... 31

APPENDIX 2..... 32

South Orange County Water Resource Agencies Summary Data..... 32

APPENDIX 3..... 33

South Orange County Water Districts/Providers..... 33

SUMMARY

This Orange County Grand Jury (OCGJ) report examines the 2021 consolidation of the City of San Juan Capistrano's (SJC) water and wastewater utilities with the Santa Margarita Water District (SMWD). It sheds light on the challenges encountered and benefits achieved through consolidation. The reorganization revealed unforeseen infrastructure costs. Also, different rate structures between the combined systems resulted in a dramatic fire line service rate increase for non-residential customers that prompted protest from some of the affected ratepayers. Going forward, the lessons learned from the SMWD experience are relevant for future consolidations. Based on the findings presented in this report, the OCGJ recommends that the Orange County Local Agency Formation Commission (LAFCO) develop an ongoing practice of evaluating post-consolidation outcomes and public impacts.

Further, this OCGJ report delves into the interrelationship of water and wastewater in South Orange County. The OCGJ studied the South Orange County Wastewater Authority (SOCWA), one of the largest collaborations of wastewater service providers in the region. Disputes among its member agencies, including litigation, have strained relations causing a bureaucratic entanglement that hinders operational effectiveness. Proposals and negotiations are underway that could ultimately affect the status of its members and the realignment of treatment plants serving South Orange County.

SOCWA is a long-standing joint powers authority (JPA) that shares several wastewater facilities managed through agreements that are due to expire in 2030. Its continuance as a JPA is tenuous yet its regulatory function remains relevant. As such, the OCGJ recommends LAFCO form a task force comprising representatives from affected water agencies to study the transformation of SOCWA and prepare a report identifying the optimal future of water and wastewater systems in South Orange County.

Technologies, innovation, and increased State and federal funding are on the horizon for the water and resource recovery industry. The OCGJ finds an urgent need to unite the South Orange County water and wastewater agencies so that South Orange County is in a better position to seize the opportunities that lie ahead.

BACKGROUND

Providing water and processing wastewater in Orange County has consistently captured the public's attention. Over the past 25 years, Grand Juries have issued 15 reports addressing various water-related challenges. Many of these reports emphasize the importance of consolidating water and wastewater agencies. Orange County is home to numerous governmental entities, including special districts and JPAs that oversee an array of countywide functions, particularly those related to water and wastewater service

Emerging Opportunities in South County Water/Wastewater Systems

providers. Specifically, there are 29 retail water suppliers¹ in Orange County with their own independent governing boards and associated bureaucracies.

Previous OCGJs have raised concerns about the redundancy, laden costs, and complexity of public agencies for decades. Reports investigated the intricate web of independent special districts. Consolidating the large number of public agencies overseeing water and wastewater systems is a matter of significant concern.²

Over the past six decades, Orange County's history reflects a transformation from an agricultural hub to a thriving residential and commercial community. Rapid growth during this period caused a proliferation of water districts throughout the county. This resulted in an overabundance of water retailers operating within one of the geographically smallest counties in California.

In more recent times, water districts have found it necessary and advantageous to consolidate with other compatible public agencies. The Irvine Ranch Water District (IRWD) successfully acquired 5 water agencies in the last 27 years, with the most recent consolidation occurring in 2008.³ The latest annexation within Orange County occurred in 2021 when the Santa Margarita Water District (SMWD) acquired the water and wastewater systems of the City of San Juan Capistrano (SJC) through annexation.

Additionally, the potential consolidation of Orange County Water District (OCWD) and Municipal Water District of Orange County (MWDOC)—the county's two major water wholesalers—is currently under review by the Orange County LAFCO. This is highlighted in the 2021-2022 OCGJ report titled "Water in Orange County Needs One Voice."⁴

Advancing technology has made wastewater a sought-after commodity essentially adding to the water supply. In the realm of Orange County wastewater, there are two main wastewater service providers: the Orange County Sanitation District (OCSAN) and SOCWA. Both handle regional wastewater collection and treatment within their respective areas. Despite providing similar services, they operate under different governance structures. OCSAN is a special district, while SOCWA operates as a JPA. OCSAN serves 25 agencies covering north and central Orange County, totaling 2.5 million residents, while SOCWA currently represents 7 water and sewer agencies in South Orange County, serving approximately 600,000 residents. (See figures 1 and 2)

¹ Retail water suppliers provide potable municipal water to more than 3,000 end users or supply more than 3,000 acre-feet of potable water annually at retail for municipal purposes. (Cal. Water Code § 10608.12.)

² 2011-2012 Orange County Grand Jury report titled "[Dragging Special Districts from The Shadows](#)"

³ [Consolidations \(irwd.com\)](https://www.irwd.com)

⁴ 2021-2022 Orange County Grand Jury report titled "Water in Orange County Needs One Voice" https://www.ocgrandjury.org/sites/jury/files/2023-06/2022-06-22_Water_in_Orange_County_Needs_One_Voice.pdf

Orange County Wastewater Agencies

	OCSAN	SOCWA
Services	Regional wastewater collection and treatment	Regional wastewater collection and treatment
Governing Structure	Special District	JPA
Agencies Served	25 agencies covering North and Central Orange County	7 water and wastewater agencies covering South Orange County
Funding	Property taxes, utility bills, grants and loans	Directly from member agencies. (no taxing authority)
# Residents Served	~2.5 million	~600,000

Figure 1-Wastewater Agencies

Water Agencies in South Orange County



Figure 2

Courtesy of SOCWA

Note: Santa Margarita Water District annexed the City of San Juan Capistrano Utilities in 2021. Laguna Beach County Water District serves the City of Laguna Beach and the Emerald Bay Service District.

REASON FOR THE STUDY

The public is generally unaware of the intricate processes and unseen operators who control the flow of their household water and sewage. However, the public has recently become keenly aware of rising utility bills. Media coverage has highlighted various water agencies raising rates to address escalating water costs, aging infrastructure, lack of upgrades, and deferred maintenance. The condition of water and wastewater infrastructure must be regularly assessed for an effective capital improvement program to maintain optimum performance.⁵ A recent example is the proactive April 16, 2024 “Huntington Beach Water/Wastewater Rate Report” proposal needed to ensure reliable water and wastewater systems through 2040.⁶ Over the past few years, several water agencies across Orange County have faced backlash from ratepayers for massive hikes to cover such expenses.

In 2023, public attention was drawn to the aftermath of the SMWD’s 2021 annexation of the SJC water systems. Media reports cited SMWD officials claiming neglect under prior SJC management. News coverage also focused on proposed rate increases so excessive that they generated protests from some of the most severely impacted customers. This being the most recent water systems consolidation, OCGJ was curious about the overall process, pre-existing condition of city’s water systems, and reasons underlying these major rate differences.

Additionally, with an interest in regional water matters, the OCGJ decided to extend its scope and examine the broader network of water and wastewater entities in South Orange County. The OCGJ identified a group of major water/wastewater providers that, through a long-standing JPA, manage and provide regional collection and treatment of wastewater to support their respective service areas. The OCGJ then undertook an investigation to assess the governance structure and operational effectiveness of this collaborative legal network. The OCGJ was particularly interested in the interrelationship of these water and wastewater providers and the prospect of future consolidations in South Orange County.

METHOD OF STUDY

The OCGJ conducted interviews with key personnel, attended tours, observed meetings, and reviewed documents relevant to the topic. Research focused primarily on public agencies serving South Orange County.

⁵ Capital Improvement Program, <https://efc.sog.unc.edu/resource/capital-planning-resources-for-water-and-wastewater-utilities/>

⁶ Huntington Beach Water / Wastewater Rate Report, <https://huntingtonbeach.legistar.com/View.ashx?M=F&ID=12846347&GUID=CF0B144A-8C49-4FFE-BC0F-EADFC70C317C>

Emerging Opportunities in South County Water/Wastewater Systems

Interviews:

- Shea Therapeutic Riding Center
- City of Laguna Beach
- ATS Financial Services
- City of San Clemente
- City of San Juan Capistrano
- South Coast Water District
- Santa Margarita Water District
- Moulton-Niguel Water District
- Irvine Ranch Water District
- Laguna Beach County Water District
- Municipal Water District of Orange County
- Trabuco Canyon Water District
- El Toro Water District
- South Orange County Wastewater Authority
- Orange County Water District
- Orange County LAFCO
- Berkson Associates Consulting
- Emerald Bay Service District

Site Visits:

- Orange County Emergency Operating Center at Loma Ridge
- Orange County Sanitation District
- Santa Margarita Water District
- Irvine Ranch Water District
- San Clemente Public Works Department
- South Coast Water District
- South Orange County Wastewater Authority
- Coastal Treatment Plant
- Municipal Water District of Orange County
- Orange County Water District
- Moulton Niguel Water District
- Laguna Beach County Water District
- JB Latham Treatment Plant
- City of Laguna Beach Public Works
- El Toro Water District
- Robert B. Diemer Treatment Plant

Meetings:

- LAFCO
- Municipal Water District of Southern California
- OCWD Water Summit
- Water Advisory Committee of Orange County (WACO)

Documents and Websites Reviewed:

- Previous Grand Jury reports
- M1 Manual-Association of California Water Agencies the *Manual of Standard Practices* by the American Water Works Association
- Websites, staff reports, agendas, and meeting recordings for water agencies in South Orange County
- Review of applicable State and local laws and regulations
- Local news articles and reports

INVESTIGATION AND ANALYSIS

WATER SYSTEMS – THE CONSOLIDATION PROCESS

Case Study: City of San Juan Capistrano and Santa Margarita Water District

The City of San Juan Capistrano's (SJC) water utilities transfer offers an insightful case study highlighting the challenges and benefits with consolidating its municipal water systems with the Santa Margarita Water District (SMWD). Records dating back to 2000 reveal a decades-long struggle marked by local political tensions, financial strain from ratepayer lawsuits, deferred maintenance, and insufficient capital reinvestment in the water system. These factors, compounded by a reluctance to adjust rates to cover ongoing water costs, culminated in a critical junction where the city eventually found itself seeking a more capable water provider to assume control of its water systems.

In the pivotal year of 2011, the financial hardships plaguing SJC intensified. A series of multimillion dollar lawsuits led to a substantial decrease in the city's bond rating, creating an additional \$7.5 million deficit in the city's budget. Faced with this fiscal crisis, the city resorted to extreme budgetary measures with city-wide cutbacks affecting the utility sector.

This financial rollercoaster persisted through Fiscal Years 2012 to 2014, until 2015 delivered yet another major economic hit. There was an unfavorable Court of Appeal's decision in a lawsuit concerning the City's billing rate system that impacted affluent and high-water users. It mandated an additional \$4.1 million refund, exacerbating the City's already precarious financial state.⁷ It was at this point, in 2015, that the City began to explore divesting its water and wastewater utilities. By August 2016, the City took a decisive step by filing an application with Orange County LAFCO to conduct a focused Municipal Service Review (MSR). The purpose was to explore the potential transfer of its water and wastewater operations and facilities to a public successor agency.

LAFCO's Regulatory Role: Municipal Service Reviews

LAFCOs are independent regulatory commissions throughout California that were created by the legislature in 1959 and are charged with controlling and adjusting the boundaries of cities and most special districts in all 58 counties. (See Cal. Gov. Code §§ 56001, 56325.) Besides regulating local government boundaries, LAFCOs play an important role in evaluating municipal services within their counties and making recommendations for improvements. LAFCOs review and update the designated sphere of influence for each city and special district under their jurisdiction. Prior to establishing or updating a sphere of influence, LAFCO must perform a special MSR. MSRs are comprehensive studies to determine the adequacy of governmental services being provided by the local agencies under LAFCO jurisdiction. MSRs can be conducted

⁷ Meghann M Cuniff, "San Juan Capistrano to pay \$4.1 million to refund customers for illegal water rates" *Orange County Register*, June 18, 2015.

Emerging Opportunities in South County Water/Wastewater Systems

individually for specific cities or districts, covering all services, or on a county-wide or regional basis focused on specific services.

As the local regulatory agency, Orange County's LAFCO was tasked with reviewing the annexation proposal submitted by SJC and analyzing the financial suitability and operational capability of potential public successor agencies. On October 10, 2018, LAFCO issued its Focused MSR,⁸ which assessed the SJC's utilities and identified potential successor public agencies to assume their operations.⁹ This report held significant weight in the City's search for a solution to off-loading its distressed assets.

The MSR identified three interested special water districts for further consideration: South Coast Water District (SCWD), Santa Margarita Water District (SMWD), and Moulton Niguel Water District (MNWD). Notably, the report underscored that all three potential agencies were generally better positioned than the city to provide water and sewer services to the community,¹⁰ thus marking a turning point in SJC's search for a viable solution to its long-standing water system challenges.

Following presentations from three qualified special districts and input from the public, SJC selected SMWD on February 19, 2019, for further discussion on the transfer of the City's water and sewer utility systems. The City Council's rationale for this decision was based on the potential for an economy of scale, enhanced operations, infrastructure improvements, and stabilized utility rates for its ratepayers.¹¹ Subsequently, on January 21, 2020, the City unanimously approved the annexation agreement with SMWD¹² and in late winter of 2020, SMWD filed an annexation application with LAFCO.¹³ As part of the process, SMWD submitted a Plan of Service proposing enhanced efficiency and cost-effective delivery of services to the affected ratepayers.¹⁴

On August 19, 2021, LAFCO approved the SMWD annexation of SJC's water and wastewater utilities, citing such benefits as stabilization of rates and immediate, long-term improvements of both utilities.¹⁵ SMWD assumed operational control of the City's water systems on November 15, 2021¹⁶, designating the area formerly serviced by the

⁸ FOCUSED MUNICIPAL SERVICE REVIEW (oclafco.org)

⁹ Orange County Local Agency Formation Commission Agenda Report Proposed "Santa Margarita Water District Annexation of the City of San Juan Capistrano Water and Wastewater Utilities" August 19, 2021, p. 1.

¹⁰ *Ibid.* pp. 1-2.

¹¹ *Ibid.*

¹² San Juan Capistrano City Council Meeting Minutes dated January 21, 2020, p. 4.

¹³ Santa Margarita Water District Letter to Local Agency Formation Commission, Orange County Subject: City of San Juan Capistrano Potable Water, Recycled Water, and Wastewater Utilities – Santa Margarita Water District's Plan of Service and Application Form, December 23, 2020, pp. 1-2.

¹⁴ *Ibid.*

¹⁵ Orange County Local Agency Formation Commission Agenda Report Proposed "Santa Margarita Water District Annexation of the City of San Juan Capistrano Water and Wastewater Utilities" August 19, 2021, pp. 21-22.

¹⁶ FAQs • Why does SMWD want to take over San Juan Capistrano's Water and Wastewater service from the City? <https://www.smwd.com/faq.aspx?qid=180>

Emerging Opportunities in South County Water/Wastewater Systems

SJC as Improvement District 9 (ID 9), distinct from SMWD's Improvement Districts 1 through 8.¹⁷

In May 2023, SMWD issued a Cost of Service and Rate Study concerning ID 9 that focused on determining rates necessary to cover water service costs as required by the California Constitution under Proposition 218.¹⁸ The study found 135 prominent ratepayers, including shopping centers, industrial buildings, schools, churches, and a major non-profit, that would be significantly impacted by the proposed monthly rate increases,¹⁹ specifically for their fire service lines. For instance, businesses faced increases from nearly \$9,700 to over \$14,000 annually for fire service lines, a result of SMWD's new rate methodology based on capacity. In contrast, residential lines saw more modest increases of no more than \$30 a month.²⁰

SMWD responded to the rate increase concerns by sending out required notices to new ID 9 ratepayers and met with those severely impacted. The proposed rate increases were publicized by local media, leading to protests from some affected ratepayers. At a July 12, 2023, public hearing on proposed rates, SMWD staff highlighted the City's deferred maintenance of infrastructure, and the lack of rate increases since July 2018. They argued that the increases were necessary to align ID 9 with the rest of the district. Protesting ratepayers claimed the proposed rate hikes were unjust. One ratepayer hired a consultant to evaluate the SMWD rate study. Thirteen water districts in Orange and Riverside Counties were included in the investigation. The rate methodology employed in the SMWD Cost of Service and Rate Study was not used in any of the 13 districts that were studied.²¹

In response to this feedback, SMWD's Board of Directors voted to continue the meeting to August 2, 2023. On that date, the Board approved ID 9 water rate increases proposed by staff, except for the capital charge component for fire meter owners. Additionally, the Board ordered a new Cost of Service and Rate Study for all districts within SMWD to be completed by June 30, 2024.

¹⁷ <https://www.smwd.com/DocumentCenter/View/4247/SMWD-ID-9-Cost-of-Service-and-Rate-Study> p.3.

¹⁸ *Ibid.*

¹⁹ Santa Margarita Water District Memorandum to: Board of Directors From Daniel Ferons, Erica Castillo
Subject: Public Hearing on Proposition 218 Rate Structure; and Consideration and Action on Adoption of Resolution No. 2023-07-01 Adopting Adjustments in its Potable Water, Recycled Water, and Wastewater Service Charges and Water Shortage Contingency Rates for Improvement District No. 9 (San Juan Capistrano) Agenda Packet July 12, 2023, p.7.

²⁰ Brandon Pho, Noah Biesiada, San Juan Capistrano Businesses Shocked over Staggering Proposed Water Bill Hike, Voice of OC, June 22, 2023.

²¹ Findings Report, ATS Financial Services, July 6, 2023 "Analysis of ID 9 (SJC) of the SMWD Cost of Service and Rate Study and Proposed Rate Adjustments."

SJC/SMWD Consolidation Timeline

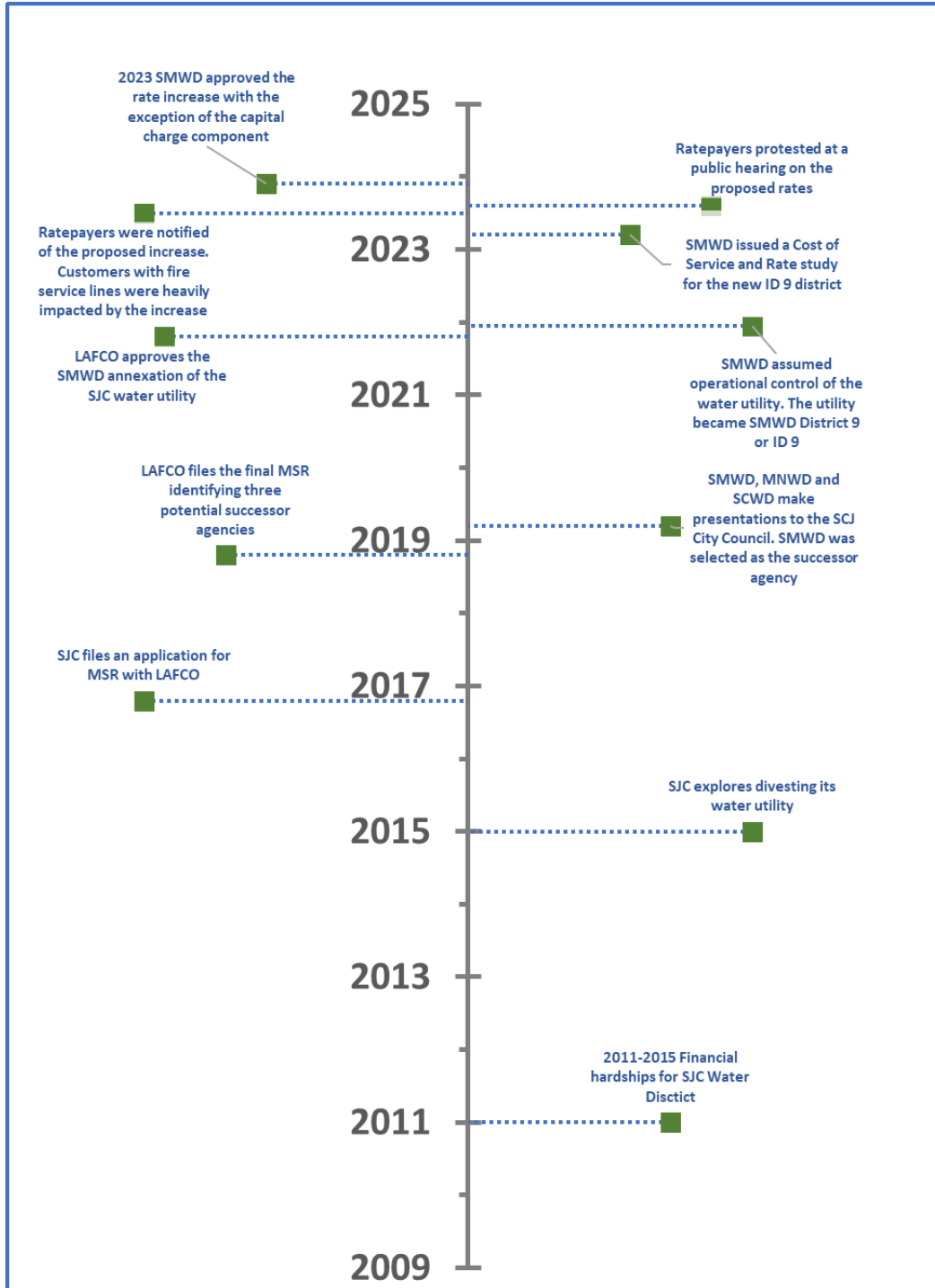


Figure 3

Summation

Although initial rate increases drew some criticism from the community, after the consolidation, the average monthly residential rate went up \$30. Overall, the SMWD consolidation signaled a positive direction for SJC's water future. Since the transfer, new SMWD customers have generally expressed satisfaction with their new provider's service and water quality, as reflected in polls and customer surveys.²² Additionally, SMWD is actively addressing deferred maintenance needs and making necessary infrastructure capital improvements neglected over time. Also, customer rates for ID 9 are on schedule to be consistent with the entire district by 2030.²³

The case of the SJC's water systems having undetected deficiencies underscores the need for an extensive assessment of the utilities in advance of such reorganizations. Transparency and more due diligence would have mitigated some consolidation concerns and helped smooth the transition of service providers. Research also suggests the need for a more extensive analysis of rate increases for non-residential customers.

WASTEWATER SYSTEMS - REGIONAL COLLABORATION

Case Study: South Orange County Wastewater Authority (SOCWA)

SOCWA was formed in 2001 when the South East Regional Reclamation Authority, Aliso Water Management Agency, and South Orange County Reclamation Authority consolidated to meet the wastewater needs of more than 500,000 homes.

The mission of SOCWA is to collect, treat, beneficially reuse, and dispose of wastewater in a manner that protects and respects the environment; maintains the public's health; and meets local, state, and federal regulations.²⁴ (See figure 4)

SOCWA exists to handle the wastewater needs of homes and businesses throughout South Orange County. It oversees the entire process from collection to disposal, ensuring water is treated properly. Additionally, SOCWA plays an important role in producing recycled water for irrigation and commercial purposes, saving a substantial amount of domestic water annually. This translates to preserving around 1.6 billion gallons of water, equivalent to 16,259 acre-feet.

SOCWA operates in collaboration with member agencies, including local water providers and local cities. It manages various programs to fulfill the Clean Water Act and National Pollutant Discharge Elimination System (NPDES)²⁵ permit requirements. It also operates two ocean outfalls and three wastewater treatment plants. The facilities

²² [One Year Later: A Look at Santa Margarita Water District's Acquisition of San Juan Capistrano's Water Utilities | Eye on SJC | picketfencemedia.com.](#)

²³ *Ibid.*

²⁴ *Ibid.*

²⁵ [National Pollutant Discharge Elimination System \(NPDES\) | US EPA](#)

owned and/or operated by SOCWA include the Coastal Treatment Plant located in the City of Laguna Beach, the JB Latham Treatment Plant located in the City of Dana Point, and the Regional Treatment Plant located in the City of Laguna Niguel. Together these three plants provide regional collection and treatment to approximately one third of the County's population.

Wastewater Purification and Recycling

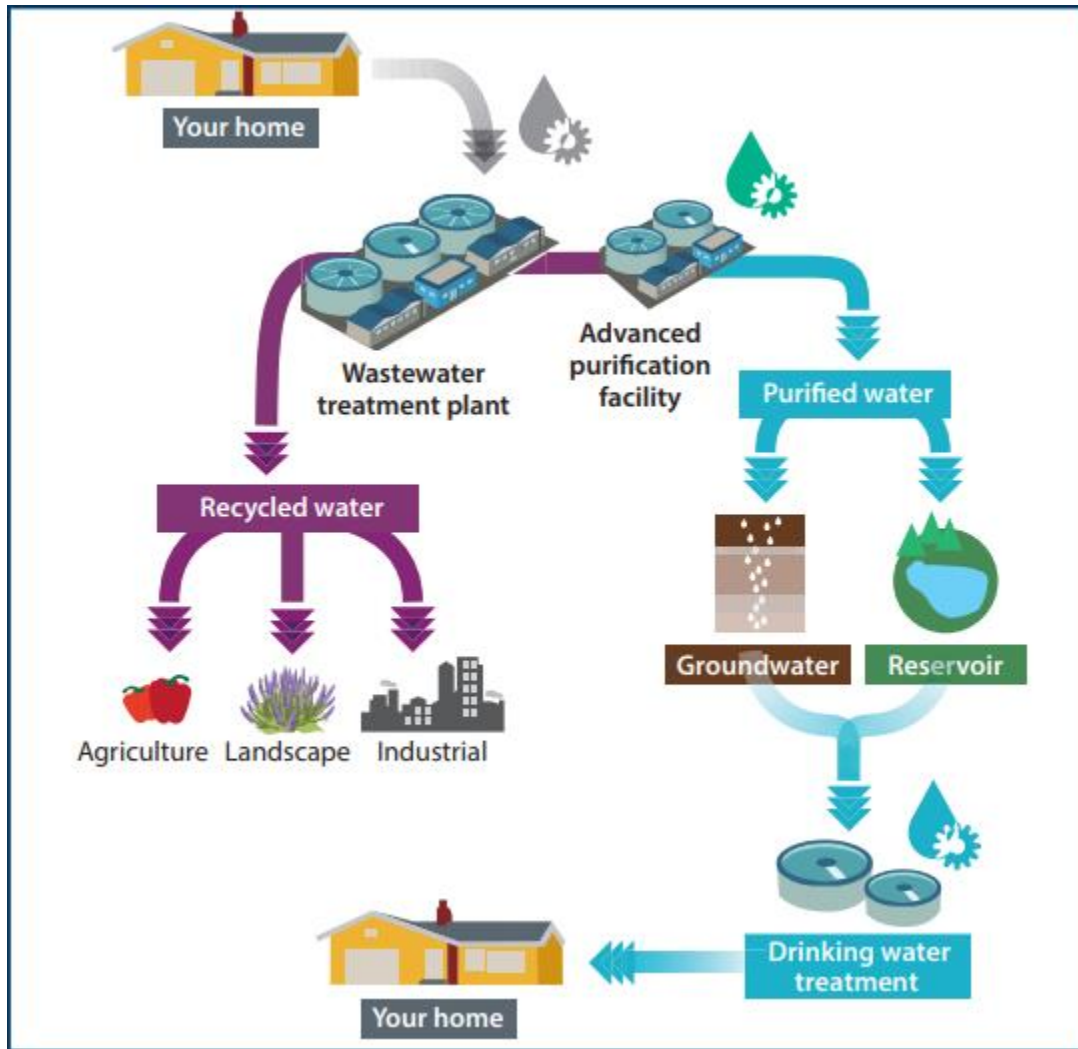


Figure 4

Source: sdwa.org waternewsnetwork.com

Joint Power Authority: Governing Structure

SOCWA is a JPA originally founded by 10 member agencies consisting of local water and service districts and cities. A JPA is a membership between two or more public agencies to jointly exercise common powers.²⁶ SOCWA currently has 7 member agencies which include two cities, four water districts, and a community services district. The four water districts in SOCWA provide sewer and water service to their customers. (See Appendices 1 and 2).

SOCWA's Board of Directors is made up of one representative from each of SOCWA's members. Each director has one vote regardless of their individual levels of contribution to SOCWA's revenues or the size of the population or territory they serve. Among other functions, the Board is responsible for approving SOCWA's budget, appointing its general manager, and taking other administrative actions. While SOCWA's Board governs matters that affect SOCWA as a whole, members enter into agreements with each other to establish project committees to serve their specific needs.²⁷

A project committee forms when members enter into agreements to share the cost of an existing SOCWA wastewater processing facility or to construct a new facility in exchange for their use of the facility for processing their wastewater products or for other purposes. By entering into these agreements, members establish a right to a certain amount of capacity in a SOCWA facility. Capacity here refers to the member's right to use the facility to process wastewater liquids and solids or to perform advanced water treatment. Project committee agreements and budgets express these capacities as a percentage of the total capacity of the facility for its different functions.²⁸

Voting at the project committee level also follows a one-member, one-vote structure. Members of a project committee vote on matters directly related to that project committee, including budgets to maintain or expand the facility. Members of project committees are bound by the terms of their agreements to pay their share of project costs. Members may only be relieved of this obligation by mutual consent of all participating members of the particular project committee.²⁹

SOCWA has no direct taxing authority, and nearly all funding for its operations comes directly from the contribution of members. SOCWA bills project committee members for their share of SOCWA's costs to construct, operate, and maintain the facilities the project committees utilize. Project committee agreements establish each participating

²⁶ <https://www.auditor.ca.gov/reports/2017-113/introduction>.

²⁷ *Ibid.*

²⁸ *Ibid.*

²⁹ *Ibid.*

member's share of operation and maintenance costs and capital costs generally based on the member's level of usage or capacity rights.³⁰

SOCWA: Disputes and Succession

In May 2017, SOCWA, along with three of its members, filed a lawsuit alleging that one of its members – Moulton Niguel Water District (MNWD) had failed to pay its contractual share of project costs for the Coastal Treatment Plant (CTP).³¹ MNWD entered into a project committee with the City of Laguna Beach, SCWD, and Emerald Bay Service District (EBSD) in 1999 to use CTP's capacity to process up to 1.96 million gallons per day (MGD) of its wastewater products. In response, MNWD stated it no longer used any of its contractual capacity to CTP and filed an answer and cross-complaint in August 2017 alleging fiscal mismanagement, fiscal improprieties, and poor retention of financial records on the part of SOCWA.³²

In March 2018, the California State Auditor released its audit report (SOCWA State Audit Report)³³ concerning the financial management practices and governance structure of SOCWA. It found that the elements of SOCWA's governance structure were generally similar to that of other wastewater and water JPAs in California. The report found evidence of financial mismanagement and inadequate record keeping but indicated that SOCWA had taken steps to correct its fiscal and record keeping practices. In response to the audit SOCWA agreed to the recommendations contained in the report.³⁴

In February 2019, the Riverside Superior Court issued its tentative ruling holding that MNWD was legally obligated to pay its proportional share of all costs, including capital costs and items necessary to maintain and operate the Coastal Treatment Plant until February 19, 2030 when the CTP project agreement ended.³⁵ In May 2019, SOCWA, MNWD, SCWD, EBSD, and the City of Laguna Beach issued a public statement regarding the litigation on the coastal treatment plant, and that the parties had agreed to resolve their differences on mutually agreeable terms.³⁶

On August 9, 2023, LAFCO issued its MSR Sphere of Influence Reviews covering the Southwest Region (OCLAFCO SW MSR).³⁷ It identified all agencies in the region that receive wastewater services in some capacity from SOCWA. Services provided by SOCWA generally fit into two areas:

³⁰ <https://www.auditor.ca.gov/reports/2017-113/introduction>.

³¹ *Ibid*

³² *Ibid*.

³³ <https://www.auditor.ca.gov/reports/2017-113/summary.html>

³⁴ <https://www.auditor.ca.gov/reports/2017-113/response.html>

³⁵ <https://www.oregister.com/2019/02/27/judge-rules-on-2-million-dispute-over-orange-county-sewage-plant/>

³⁶ <https://www.oregister.com/2019/05/20/moulton-niguel-water-district-agrees-to-pay-4-8-million-in-wastewater-dispute/>

³⁷ https://oclafco.org/wp-content/uploads/2024/01/OCLAFCO_Southwest_MSR_-_Final_8.28.23.pdf

Emerging Opportunities in South County Water/Wastewater Systems

1. Permitting and regulatory support for the operation of all wastewater treatment plants in south Orange County
2. Operation of three wastewater treatment plants

The MSR also noted the SOCWA's JPA agreement previously included ten agencies but had recently been reduced to seven voting members including the El Toro Water District (ETWD), MNWD, SCWD, EBSD, the City of Laguna Beach, SMWD, and the City of San Clemente. As of July 1, 2023, the following three agencies were no longer members of SOCWA: Irvine Ranch Water District (IRWD), Trabuco Canyon Water District (TCWD), and SJC. San Juan Capistrano's wastewater services and infrastructure were assumed by SMWD through an annexation to the district in 2021 and TCWD and IRWD had arranged for former SOCWA services to be provided through other means.³⁸

The MSR stated SOCWA staff were aware of the evolving issues regarding SOCWA's management, purpose, and structure, and had hired a facilitator at the request of SCWD to assist in moving the discussion forward. Additionally, SOCWA staff noted that the agencies have full authority to make any changes they desire to the JPA agreement, provided they get the appropriate majority.

The MSR further noted within SOCWA there are numerous shared facilities for wastewater collection and treatment. These are managed by SOCWA through separate project agreements or committees among various member agencies. Many of these agreements predate SOCWA and are due to expire in 2030. MNWD had expressed strong interest in assuming the operational responsibility of one of SOCWA's regional facilities, the Regional Treatment Plant. In its justification, MNWD saw a potential benefit if several of SOCWA's assets were operated by each member agency. In their view, which was shared by SMWD, SOCWA is not structured to meet the wastewater service needs of some member agencies and should focus on providing enhanced permitting and regulatory compliance support for the SOCWA member agencies.

The MSR found that SCWD had expressed a strong interest in preserving the existing structure of SOCWA while also expressing openness to evaluating the agreements for efficiency and improvement. The other agencies reviewed in the MSR did not express similar interest in a reexamination of the SOCWA arrangements, nor did they share any complaints or concerns about SOCWA's service level. While they did not express a desire to advance these ideas during the MSR process, they stressed their openness to reevaluating the project agreements as they approach their respective expiration dates. After the MSR, SOCWA members conducted facilitator directed meetings to address member concerns.

At the Board of Directors meeting on March 7, 2024, SOCWA presented a \$20 million buyout proposal to transition the Regional Treatment Plant to MNWD and other

³⁸ *Ibid*

Emerging Opportunities in South County Water/Wastewater Systems

considerations to facilitate MNWD's withdrawal from SOCWA.³⁹ The proposed agreement will become effective on June 30, 2024, and is contingent on several conditions including the required unanimous vote of all SOCWA members to authorize MNWD's withdrawal from SOCWA.⁴⁰

On May 1, 2024, a special meeting was held to address the March 7, 2024, proposal to transition the Regional Treatment Plant to MNWD and to facilitate MNWD's withdrawal from SOCWA. There was unanimous approval of the proposal in principle with members set to return to their respective boards for official approval by June 1, 2024.

The steps ahead are to continue negotiations and require MNWD to provide its official response. If consensus is reached, then terms and conditions would be laid out to adopt the necessary amendments to various JPA agreements and Project Committee agreements. MNWD would need to develop and adopt an agreement with SCWD, EBSD, City of Laguna Beach, and ETWD for handling solid waste. Treatment, conveyance, and outfall agreements would need to be developed and adopted between SOCWA and MNWD.

Lastly, upon MNWD's withdrawal from SOCWA, and after the buyout payment, the transfer of the Regional Treatment Plant and its operation to MNWD would be complete.

Summation

The history of SOCWA shows the divergent approaches of its member agencies. While some agencies embraced long-range regional collaboration, it could be argued that smaller districts with overweighted voting authority hindered them. Past litigation among JPA members has created a legacy of distrust, and Balkanized decision-making among its governing directors. Water officials interviewed by the OCGJ clearly indicated tension among rival SOCWA members. It appears some members are entrenched in transactional approaches aimed solely at addressing ownership, operation, and modernization of treatment plants within their own boundaries.

Water and wastewater agencies, like SOCWA, have worked together through legal agreements in the past. However, SOCWA's collaborative efforts have not always been successful which may be reflective of its JPA governing structure.⁴¹ Over time, changes in local support, leadership, and financial pressures have led member agencies to reconsider their involvement in the JPA.

³⁹ https://www.socwa.com/event/board-of-directors-meeting-3-7-2024/?instance_id=716

⁴⁰ <https://www.socwa.com/wp-content/uploads/2023/12/7f-2024-03-06-SOCWA-Proposal-to-Transition-RTP-to-MNWD.pdf>

⁴¹ Trish Cypher and Colin Grinnell, "Governments Working Together: Citizen's Guide to JPAs" (California State Legislature, 2007).

It was evident from the SOCWA special meeting of May 1, 2024, that leaving a JPA can be complicated.⁴² SOCWA started with 10 members but is now down to 7, and negotiations are ongoing for yet another member to leave. Now, SOCWA needs new agreements to govern its operations going forward. This leaves uncertainty about SOCWA's future beyond the expiration of its original contracts in 2030. However, with California's ocean discharge regulations being so extensive, JPA members have expressed support for SOCWA to continue in some form to handle permitting as well as other regulatory support functions within its purview.

THE PATH FORWARD

Water System - Consolidations

Consolidating, restructuring, or merging agencies is a function of assessing the costs and benefits regarding safety, security,⁴³ reliability, financial and operational efficiencies, and economies of scale, versus the attraction of local control. A thorough assessment of this "balancing act" will benefit future generations of Orange County residents.

South Orange County is served by ten water providers in jurisdictions ranging in size from 540 customers in EBSD to 116,000 customers in IRWD (Appendices 1 and 2). To advance consolidations, over the past decade the State of California has developed financial incentives for larger water systems to absorb small systems, introduced new authorities to mandate consolidation under specific circumstances, and invested significantly in technical assistance resulting in over 200 completed projects throughout the State with more underway.⁴⁴ Interviews identified the benefit of having a single entity to discuss the optimal management/structure of water, wastewater, and reuse operations with a common vision for the future of Southern Orange County.

In recent years, water districts have experienced the benefits of consolidation with one another, as evidenced by IRWD. It has successfully acquired five other agencies over the past twenty-seven years, including the Santa Ana Heights Mutual Water Company in 1997, Carpenter Irrigation District in 2000, Los Alisos Water District in 2001, Santiago County Water District in 2006, and the Orange Park Acres Mutual Water Company in 2008.⁴⁵

Irvine Ranch Water District's process involves a selective approach, emphasizing efficiencies and mutual benefits. It begins with a consolidation request to IRWD from the prospective water agency, followed by mutual agreement on terms, and then an application to LAFCO for their evaluation. Irvine Ranch Water District has a proven track

⁴² <https://www.socwa.com/wp-content/uploads/2023/12/7f-2024-03-06-SOCWA-Proposal-to-Transition-RTP-to-MNWD.pdf>

⁴³ [EPA warns of increasing cyberattacks on water systems | AP News](#)

⁴⁴ Luskin Center for Innovation, Trends in California Water Systems Consolidation (December 2023) [Policy-Brief-Trends-in-California-Water-Systems-Consolidation.pdf \(ucla.edu\)](#)

⁴⁵ [Consolidations \(irwd.com\) https://www.irwd.com/about-us/consolidations](#)

Emerging Opportunities in South County Water/Wastewater Systems

record since 1997 of having successfully unified five providers benefitting 57,000 residents with improved water reliability and standardized rates. With extensive cash reserves, IRWD is poised to maintain and enhance its water systems over the next fifty years.

It is evident that past consolidations among water agencies have yielded positive outcomes by enhancing efficiencies and fostering mutual benefits through shared expertise and resources. With the multitude of water districts and the risk of financial strain comparable to SJC, future consolidations are not just probable but beneficial. Hence, it is imperative to draw lessons from past experiences. By reviewing the issues and concerns encountered by SMWD and by adopting the strategies employed by IRWD, there is an opportunity to improve the process for future consolidations (Appendices 1 and 2).

Wastewater Systems - Collaboration

In South Orange County, collaboration among water and wastewater providers can drive positive changes for the region's future. Despite past challenges posed by differing governing boards and environmental perspectives across separate jurisdictions, officials have shown the willingness to unify and address shared concerns. The future of SOCWA involves reorganizing the structure so that it can resolve the operational issues of treatment plants. This allows major water agencies to focus on maximizing wastewater reuse and to minimize ocean discharge, with the aspirational goal of zero discharge. Collaboration among all agencies operating treatment plants is paramount, to adopt a more integrated management approach.

The Moulton Niguel Water District, one of the leading service providers, has embraced a transformative drive to water management. Since 2019, MNWD has pursued federal funds to strengthen its infrastructure against seismic and severe storm damage. In 2024 the district was awarded \$10.3 million in federal grants to strengthen and improve its wastewater infrastructure. The grant is administered by the California Office of Emergency Services and funded by the Federal Emergency Management Agency (FEMA) to replace sewer lines that move more than half of all district wastewater.⁴⁶ Advocating for funding as a region to address aging infrastructure is vital to ensure the long-term sustainability of water management efforts. By working collectively towards these goals, South Orange County can lead the way in sustainable water management practices for the benefit of current and future generations.

The Moulton Niguel Water District is also working on a reverse osmosis project called OASIS (Optimal, Adaptive, Sustainable, Integrated, Supply) to receive wastewater from homes and businesses, and treat it for potable reuse. The OASIS project emerges as a beacon of innovation and sustainability, offering not only reliable water reuse but also an opportunity for education and public engagement. By demonstrating the safety and effectiveness of direct potable reuse, South Orange County can pave the way for similar

⁴⁶ <https://www.mnwd.com/moulton-niguel-water-district-awarded-federal-grant/>

Emerging Opportunities in South County Water/Wastewater Systems

projects across California. Building partnerships with neighboring regions, environmental organizations, and governmental bodies will be crucial to securing state, federal, and private funding dedicated to advancing water reuse in South Orange County, with OASIS as the flagship project, being a top priority.

Another transformative advancement is the Doheny Ocean Desalination Project, planned by the South Coast Water District as part of the Joint Regional Water Supply System. This project would create a new, local, drought-proof water supply that would provide emergency water supplies.⁴⁷ Benefits would provide a water source at a reasonable cost, up to 5 million gallons per day of drinking water and the potential for long-term regional benefits. The proposed facility would be located near Doheny State Beach in the City of Dana Point and is planned to be on-line in 2028.

Looking ahead, the integration of treatment plant operations and the advancement of technologies like direct potable use and desalination are key focal points. As such, the OCGJ recommends LAFCO form a task force comprising representatives of affected water districts to study the transformation of SOCWA and prepare a report identifying the optimal future of water and wastewater systems in South Orange County.

In an era of emerging opportunities, a comprehensive regional plan developed in conjunction with all stakeholders is needed for guiding future projects and addressing evolving needs. As the task force facilitator, LAFCO can also play a pivotal role in studying future consolidations and a unified regional approach to water and wastewater management and service delivery. By planning and working together, South Orange County is poised to lead the way in securing a better future for generations to come.

COMMENDATIONS

Irvine Ranch Water District (IRWD) - The Irvine Ranch Water District successfully acquired 5 water providers serving 57,000 residents since 1999. These consolidations provide reliable water supply at equitable rates, which are mutually beneficial to all customers.

City of San Clemente – Based on interviews and a comprehensive site visit, the OCGJ found the City of San Clemente does an excellent job in maintaining and operating its water and wastewater utility systems. This integrated system augments the City's local recycled water sources and is beneficial in reusing urban runoff and reducing biosolids.

⁴⁷ [South Coast Water District, CA \(scwd.org\)](https://www.scwd.org)

FINDINGS

In accordance with California Penal Code Sections 933 and 933.05, the 2023-2024 Grand Jury requires responses from each agency affected by the findings presented in this section. The responses are to be submitted to the Presiding Judge of the Superior Court.

Based on its investigation described here, the 2023-2024 OCGJ has arrived at the following principal findings:

- F1. San Juan Capistrano’s deferred maintenance of the water/wastewater utility resulted in the need to transition the facility to a larger water provider to allow more efficient management and maintenance of the infrastructure.
- F2. The SMWD proposed rate increase severely impacted San Juan Capistrano’s non-residential customers and led to protests of unfairness and negative attention from the local media.
- F3. SOCWA’s member agencies have widely diverse populations, requirements, and revenues. This has led to conflicts over governance, facility operation, and control, affecting the evolving potential for wastewater reuse.
- F4. There is currently no unified strategy for the future of water/wastewater provision in South Orange County

RECOMMENDATIONS

In accordance with California Penal Code Sections 933 and 933.05, the 2023–2024 Grand Jury requires responses from each agency affected by the recommendations presented in this section. The responses are to be submitted to the Presiding Judge of the Superior Court.

Based on its investigation titled “Emerging Opportunities in South County Water/Wastewater Systems,” the 2023-2024 OCGJ makes the following two recommendations:

- R1. The OCGJ recommends that by January 1, 2025, LAFCO studies a policy of conducting a post-consolidation agency review to be held within 24 months of agency reorganizations to determine their overall impact on the public. (F1, F2)
- R2. The OCGJ recommends that by January 1, 2025, LAFCO form a task force comprising representatives of affected water agencies to study the transformation of SOCWA and prepare a report on the future of water/wastewater in South Orange County. (F3, F4)

RESPONSES

California Penal Code Section 933 requires the governing body of any public agency which the Grand Jury has reviewed, and about which it has issued a final report, to comment to the Presiding Judge of the Superior Court on the findings and recommendations pertaining to matters under the control of the governing body. Such comment shall be made no later than 90 days after the Grand Jury publishes its report (filed with the Clerk of the Court). Additionally, in the case of a report containing findings and recommendations pertaining to a department or agency headed by an elected county official shall comment on the findings and recommendations pertaining to the matters under that elected official's control within 60 days to the Presiding Judge with an information copy sent to the Board of Supervisors.

Furthermore, California Penal Code Section 933.05 specifies the manner in which such comment(s) are to be made as follows:

- (a) As to each Grand Jury finding, the responding person or entity shall indicate one of the following:
 - (1) The respondent agrees with the finding.
 - (2) The respondent disagrees wholly or partially with the finding, in which case the response shall specify the portion of the finding that is disputed and shall include an explanation of the reasons therefore.
- (b) As to each Grand Jury recommendation, the responding person or entity shall report one of the following actions:
 - (1) The recommendation has been implemented, with a summary regarding the implemented action.
 - (2) The recommendation has not yet been implemented, but will be implemented in the future, with a timeframe for implementation.
 - (3) The recommendation requires further analysis, with an explanation and the scope and parameters of an analysis or study, and a timeframe for the matter to be prepared for discussion by the officer or head of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This timeframe shall not exceed six months from the date of publication of the Grand Jury report.
 - (4) The recommendation will not be implemented because it is not warranted or is not reasonable, with an explanation, thereof.

Emerging Opportunities in South County Water/Wastewater Systems

- (c) If a finding or recommendation of the Grand Jury addresses budgetary or personnel matters of a county agency or department headed by an elected officer, both the agency or department head and the Board of Supervisors shall respond if requested by the Grand Jury, but the response of the Board of Supervisors shall address only those budgetary or personnel matters over which it has some decision-making authority. The response of the elected agency or department head shall address all aspects of the findings or recommendations affecting his or her agency or department.

Responses Required

Comments to the Presiding Judge of the Superior Court in compliance with Penal Code Section 933.05 are required from:

Findings – 90 Day Response Required

City of Laguna Beach	F3, F4
City of San Clemente	F3, F4
City of San Juan Capistrano	F1, F2
El Toro Water District	F3, F4
Emerald Bay Service District	F3, F4
Irvine Ranch Water District	F4
Laguna Beach County Water District	F4
Moulton Niguel Water District	F3, F4
Santa Margarita Water District	F1, F2, F3, F4
SOCWA Board of Directors	F3, F4
South Coast Water District	F3, F4
Trabuco Canyon Water District	F4

Recommendations – 90 Day Response Required

Orange County LAFCO Board of Commissioners	R1, R2
City of Laguna Beach	R2
City of San Clemente	R2

Emerging Opportunities in South County Water/Wastewater Systems

El Toro Water District	R2
Emerald Bay Service District	R2
Irvine Ranch Water District	R2
Laguna Beach County Water	R2
Moulton Niguel Water District	R2
Santa Margarita Water District	R2
SOCWA Board of Directors	R2
South Coast Water District	R2
Trabuco Canyon Water District	R2

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Emerging Opportunities in South County Water/Wastewater Systems

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“Ruling on San Juan Capistrano’s Water Rates May Mean Higher Prices for Some.”
Orange County Register, April 22, 2015. <https://www.ocregister.com/2015/04/22/ruling-on-san-juan-capistranos-water-rates-may-mean-higher-prices-for-some/>

San Juan Basin Authority ([SJBA](#)), a Joint Powers Authority ([JPA](#)) that manages the local groundwater and desalinization plant. The JPA is managed by SMWD and SCWD.
See: [AMENDED AND RESTATED PROJECT IMPLEMENTATION AGREEMENT](#)

Santa Margarita Water District Letter to Local Agency Formation Commission, Orange County Subject: City of San Juan Capistrano Potable Water, Recycled Water, and Wastewater Utilities – Santa Margarita Water District’s Plan of Service and Application Form, December 23, 2020

Santa Margarita Water District Memorandum to: Board of Directors From Daniel Ferons, Erica Castillo Subject: Public Hearing on Proposition 218 Rate Structure; and Consideration and Action on Adoption of Resolution No. 2023-07-01 Adopting Adjustments in its Potable Water, Recycled Water, and Wastewater Service Charges and Water Shortage Contingency Rates for Improvement District No. 9 (San Juan Capistrano) Agenda Packet July 12, 2023:
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Water Advisory Committee of Orange County [WACO](#)

“Water & Sewer Rate Adjustment.” n.d. Accessed May 27, 2024.

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GLOSSARY

Acre-foot - A unit of measure used to calculate volumes of water. One acre-foot equals the volume of water that would cover an acre of land at a depth of one foot.

AWWA - American Water Works Association is a non-profit organization. Its mission is to improve water quality and supply.

Desalination - A process that removes salt and other minerals from water.

ISDOC - Independent Special Districts of Orange County is an association that advocates for Orange County’s independent special districts.

JPA - Joint Powers Authority is a membership between two or more public agencies to jointly exercise common powers.

LAFCO - Local Agency Formation Commission is a countywide commission, required in each California county. LAFCO’s powers include approving, establishing, expanding, reorganizing, and, in limited circumstances, dissolving cities and special districts.

MSR - Municipal Service Review is a comprehensive analysis conducted by LAFCO to assess the performance of municipal services within a specific geographic area.

NPDES - National Pollutant Discharge Elimination System

OASIS - A initiative for advanced integrated water management started by MNWD. (Optimal, Adaptive, Sustainable, Integrated, Supply)

OCSAN - Orange County Sanitation District provides wastewater collection, treatment, and recycling North and Central Orange County.

Potable Water - Water that is suitable for human consumption.

Recycled Water - Wasterwater that has been treated (filtered and disinfected). It is used as irrigation for golf courses and parks.

Special District - A local government entity that was created to provide a specific public service. Examples are water service, cemeteries and fire protection.

SOCWA - South Orange County Wastewater Authority is a Joint Powers Authority with seven member agencies, consisting of local retail water agencies and cities that provide

Emerging Opportunities in South County Water/Wastewater Systems

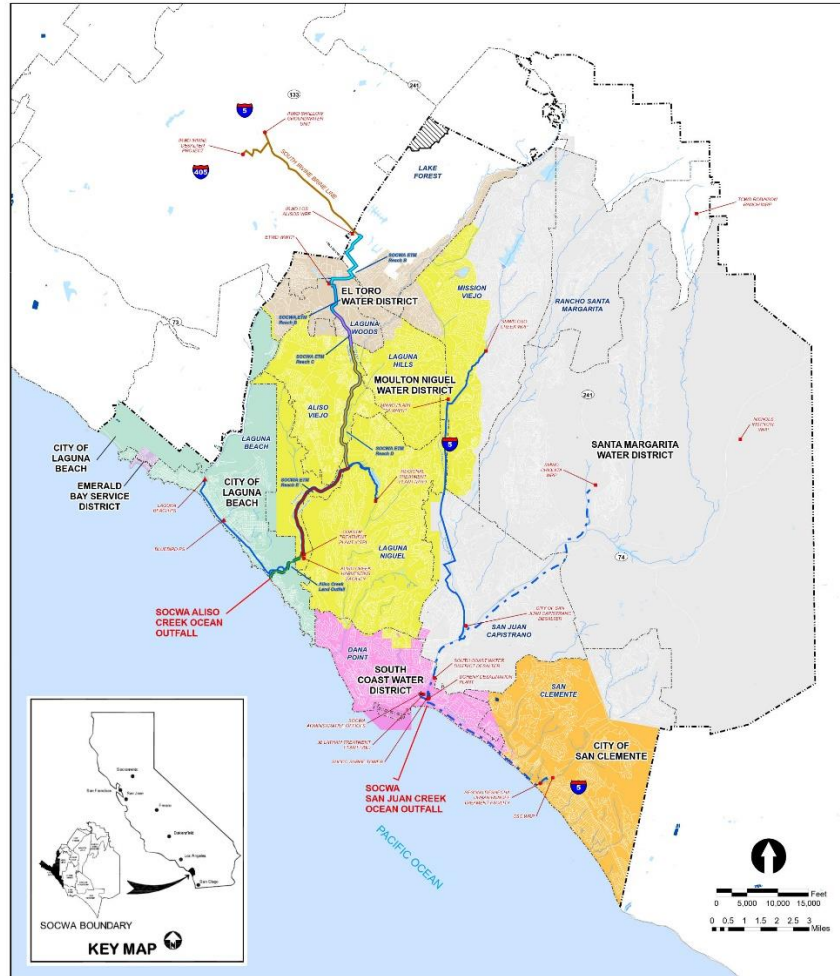
water to their residents. SOCWA manages the collection, transmission, treatment, and disposal of wastewater across South Orange County.

WACO - Water Advisory Committee of Orange County

APPENDICES

APPENDIX 1

South Orange County Water Resource Agencies



Emerging Opportunities in South County Water/Wastewater Systems

APPENDIX 2

South Orange County Water Resource Agencies Summary Data

Location	Type	Established	Services	SOCWA Member	Water Lines (Miles)	Sewer Lines (Miles)	Sewage Treatment Plants	Residents Served	Service Connections	Area (sq mi)	# Employees	Board / Council Members
Emerald Bay Service District (EBSD) *	Community Services District	1961	Water & Sewer	Yes	6	6	0	2,000	540	1	1	5
Trabuco Canyon Water District (TCWD)	Special District	1961	Water & Sewer	No	66	45	1	14,000	4,200	13	21	5
City of Laguna Beach	Municipal Utility	1927	Sewer	Yes	n/a	95	0	23,000	8,000	9	14	5
Laguna Beach County Water District (LBCWD)	Dependent Special District**	1925	Water	n/a	135	n/a	n/a	25,000	8,450	9	40	5
South Coast Water District (SCWD)	Special District	1932	Water & Sewer	Yes	158	136	0	39,000	12,600	8	85	5
El Toro Water District (ETWD)	Special District	1960	Water & Sewer	Yes	170	158	1	51,000	10,000	9	61	5
City of San Clemente	Municipal Utility	1928	Water & Sewer	Yes	230	162	1	64,000	17,800	19	45	5
Moulton Niguel Water District (MNWD)	Special District	1960	Water & Sewer	Yes	656	500	1	170,000	55,000	37	163	7
Santa Margarita Water District (SMWD)	Special District	1964	Water & Sewer	Yes	1,080	665	3	200,000	65,000	111	200	5
South Orange County Totals				7	2,501	1,767	7	588,000	181,590	216	630	47
Irvine Ranch Water District (IRWD)	Special District	1961	Water & Sewer	No	1,976	1,374	2	465,000	122,000	181	337	5
South Orange County Wastewater Authority	Joint Powers Authority	2001	Sewage Treatment	n/a	n/a	51	3	600,000	n/a	n/a	64	7***

Notes

Data obtained from agency websites and interviews.

South Orange County imports approximately 90% of Water from Metropolitan Water District of Southern California

TCWD operates the only potable water treatment facility in South Orange County

IRWD Listed Separately as Majority of Customers in Central Orange County

SOCWA operates the two ocean outfalls: Aliso Creek and San Juan Creek

* Water system operated and maintained by LBCWD

** LBCWD is a Subsidiary (Dependent) District of the City whose Council serves as the Board.

*** 7 Appointed by Member Agencies

APPENDIX 3

South Orange County Water Districts/Providers

El Toro Water District (ETWD) - Provides water and wastewater service in the cities of Laguna Hills, Laguna Woods, Lake Forest, Aliso Viejo, and Mission Viejo.

Emerald Bay Service District (EBSD) - Provides fresh water supply under contract with the Laguna Beach County Water District. Collects wastewater and transmits to Laguna Beach.

Irvine Ranch Water District (IRWD) - Serves Central Orange County, including the following cities: Irvine, Newport Beach, Tustin, Orange, Lake Forest, and Costa Mesa.

Laguna Beach County Water District (LBCWD) - Provides water service to portions of the city of Laguna Beach, a portion of Crystal Cove State Park, and the unincorporated community of Emerald Bay.

City of Laguna Beach - Provides wastewater collection and/or transmission services to the city of Laguna Beach, a portion of Crystal Cove State Park, and the unincorporated community of Emerald Bay.

Moulton Niguel Water District (MNWD) - Provides water and wastewater services to customers in Laguna Niguel, Aliso Viejo, Mission Viejo, Laguna Hills, and Dana Point.

Municipal Water District of Orange County (MWDOC) is a wholesale water provider. It purchases imported water through the Metropolitan Water District of Southern California (MET) and delivers this water to its 27 member agencies, who in turn, provide retail water services to the public. It is the only agency with members from all water providers in South Orange County.

Orange County Water District (OCWD) - Manages the ground water supply for Orange County. It is a wholesale agency.

City of San Clemente - Provides water/wastewater services to the residents of San Clemente

Santa Margarita Water District (SMWD) - Serves the cities of Mission Viejo, San Juan Capistrano, Rancho Santa Margarita, and the communities of Coto de Caza, Las Flores, Ladera Ranch, Rancho Mission Viejo, and Talega in San Clemente.

South Coast Water District (SCWD) - Serves the communities of Dana Point, South Laguna Beach, and areas of San Clemente and San Juan Capistrano.

Trabuco Canyon Water District (TCWD) - Serves the Communities of Trabuco Canyon, Robinson Ranch, Trabuco Highlands, Walden, Rancho Cielo, Portola Hills, Santiago Canyon Estates, and Dove Canyon.

DRAFT July 25, 2024

August 5, 2024

The Honorable Maria D. Hernandez
Presiding Judge of the Superior Court of California
700 Civic Center Drive West
Santa Ana, CA 92701

Re: TCWD Response to OCGJ Report *“Emerging Opportunities in South County Water/Wastewater Systems”*

Dear Presiding Judge Hernandez:

The Orange County Grand Jury report released June 21, 2024, titled *“Emerging Opportunities in South County Water/Wastewater Systems”* requested that Trabuco Canyon Water District (TCWD) respond to certain findings and recommendations in the report. In accordance with Penal Code Sections 933 and 933.05, TCWD provides the following responses to Finding F4 and Recommendation R2:

Finding F4: *“There is currently no unified strategy for the future of water/wastewater provision in South Orange County.”*

Response: TCWD disagrees partially with this finding.

It is true that there is no single or joint entity responsible for the provision and future planning of water and wastewater services in South Orange County. Instead, the model that has best served South Orange County is that individual water agencies provide these services on behalf of, and in the best interests of, their ratepayers given the unique needs, conditions, and circumstances within their local communities. Each entity is responsible for planning for the future reliability and affordability of water and wastewater services given local conditions but also benefits from regional collaboration and knowledge transfer.

Recommendation R2: *“The OCGJ recommends that by January 1, 2025, LAFCO form a task force comprising representatives of affected water agencies to study the transformation of SOCWA and prepare a report on the future of water/wastewater in South Orange County.”*

Response: The recommendation will not be implemented by TCWD because it calls for another entity, LAFCO, to form a task force.

TCWD recently separated from the SOCWA joint powers authority and would not participate in discussions about the future of SOCWA. However, as the water, wastewater, and recycled water services provider for its service territory, TCWD understands the value of regional collaboration

DRAFT July 25, 2024

and participation in discussions about the future of water and wastewater in South Orange County.

If you need additional information concerning this response, please contact me at (949) 709-5724,

Sincerely,

Fernando Paludi, P.E.
General Manager

cc: TCWD Board of Directors

**TRABUCO CANYON WATER DISTRICT
EXECUTIVE COMMITTEE MEETING | AUGUST 5, 2024**

DISCUSSION MATTERS

ITEM 4: DISCUSSION ON HUMAN RESOURCES AND HEALTH BENEFITS THIRD-PARTY ADMINISTRATOR SUPPORT SERVICES

Trabuco Canyon Water District (TCWD or District) has issued a request for qualifications (RFQ) for the purpose of contracting with a third-party administrator (TPA) for human resources and benefits administration services. District staff met with special legal counsel representatives with Liebert Cassidy Whitmore (LCW) to discuss the development of a scope of work that meets the District’s needs to provide adequate services to staff. Based on these discussions, District staff identified a short list of six firms that provide TPA services and submitted the RFQ, including:

- MRG
- CPS HR Consulting
- Keenan & Associates
- Alliant Employee Benefits
- Burnham Benefits
- USI Insurance Services

Of the six firms identified, three firms responded to the RFQ, and two firms met with District staff to discuss the proposed SOW and provided responsive proposals (CPS HR Consulting and Keenan and Associates). Based on these discussions and previous discussions with the Executive Committee, District staff recommends bifurcating the human resources and benefits administration services and contracting with two separate firms. A summary of the proposals and District proposed costs based on professional services budget is below:

Third-Party Administrator	Year 1 Proposed Costs	District Proposed Costs
CPS HR Consulting - Human Resources Support	\$ 80,000	\$ 65,000
Keenan & Associates- Benefits Support	\$ 13,995	\$ 13,995
	\$ 93,995	\$ 78,995

The standard practice for services of both firms is to invoice clients after services are rendered as indicated in the proposals. District staff have identified several areas of focus in the SOW, but will work with the respective TPA on a planned phase approach to address these needs.

FUNDING SOURCE:

FY 2024/25 General Fund, Professional Services Budget

FISCAL IMPACT

Proposed \$80,000

RECOMMENDED ACTIONS:

Receive information at the time of the meeting and take action(s) as deemed appropriate.

EXHIBIT(S):

1. District Request for Qualifications (RFQ)
2. CPS HR Consulting Proposal
3. Keenan & Associates Proposal

CONTACTS (staff responsible): PALUDI/PEREA

REQUEST FOR QUALIFICATIONS

Human Resources and Employee Benefits Support Services



Trabuco Canyon Water District
32003 Dove Canyon Drive
Trabuco Canyon, CA 92679
(949) 858-0277

I. BACKGROUND/INTRODUCTION & PURPOSE

Trabuco Canyon Water District (TCWD or District) is a county water district organized and operating pursuant to Section 30000, and following, of the Water Code of the State of California, responsible for providing retail potable water service, groundwater filtration and treatment, wastewater collection and treatment, water recycling, and urban runoff collection and treatment services to approximately 13,500 residents through approximately 4,300 connections with less than 25 full-time employees (FTEs).

TCWD intends to retain and contract with a well-qualified human resources and employee benefits support services provider to augment District staff to meet employee human resources and benefits needs and to provide guidance to the Board of Directors on employee benefits. TCWD is soliciting qualifications (SOQs) from firms for this purpose and interested providers should submit their qualifications by noon (PST) on **Wednesday, May 15, 2024**.

II. SCOPE OF WORK

The selected proposer will be responsible for providing human resources and employee benefits consulting services under the direction of the General Manager or other senior management as determined by the General Manager, including but not limited to:

Employee Recruitment, Selection, and Retention Services

- Assist with job description preparation & periodic updates;
- Maintain the organizational chart and update as needed;
- Assist with hiring new employees, including, but not limited to, drafting open position announcements and working with the hiring manager to ensure compliance with interviewing and hiring laws and best practices;
- Work with new employees during the onboarding process, specifically District policies and benefits;
- Support District management on the employee separation processes, including, but not limited to, final exit interviews and collection of District-issued property/items;
- Provide recommendation on improving ways to attract, hire, and retain qualified employees.

Classification and Compensation

- Maintain the District's classification plan;
- As necessary, support District labor market surveys of total compensation to ensure a competitive workforce.

Employee Benefits Administration

- Manage annual enrollment period for all benefits, including, but not limited to explanation of insurance plans and benefits; prepare staff communications materials; and provide timely updates to the District's Board of Directors for their consideration and adoption, including District's annual health benefit contribution;
- Work with employees throughout the year to answer questions regarding benefits enrollment and plans;
- Administer employee safety program and Worker's Compensation program;
- Administer and advise employees on types of leave available to them;

- Ensure TCWD is compliant with all labor requirements as established by the California Department of Labor/Labor Relations Board.

Employee Relations Services

- Provide assistance on annual updates to the Employee Handbook with District management team;
- Administer performance evaluation process and provide guidance and support to supervisors with employee disciplinary issues;
- Manage and resolve employee grievances, disputes and conflicts;
- Administer employee and supervisor training and other employee development strategies;
- Provide support and recommendations regarding enhanced employee recognition and engagement.

Coordination with District legal counsel

- Should the need for legal assistance occur, coordinate with TCWD's general or special counsel to act as a partner throughout the proceedings.

General Staff Support & Program Administration

- Participate in quarterly calls with the TCWD management team on human resources and benefits;
- Work onsite for ½ day at TCWD administration facility during open enrollment periods;
- Provide a monthly activity report to the District management team for the respective billing period.

Additional work may be required and will be negotiated with the selected provider.

The District understands that this is an extensive list of services and that not all firms may provide all of these services. Respondents should list the suite of services at best meet most, if not all, of the tasks listed in the Scope of Work.

III. REQUIREMENTS FOR RESPONSIVE SOQS

The purpose of this Request for Qualifications (RFQ) is for each proposer to demonstrate that it has the background, qualifications, competence, and capability to provide services to the District as outlined in the Scope of Work section. Submittals should include a discussion of the provider's ability to provide the services listed in the Scope of Work as well as the following information:

1. Project Understanding and Approach

Approach and methodology to performing scope of services, including completeness, demonstrated capability, responsiveness to the District's needs, and understanding of the work requirements.

2. Proposed Team Experience and Qualifications

- a) Experience of the Company's Team with respect to the RFPs tasks and role, i.e. Project Manager, Quality Control, etc.
- b) Experience on similar projects.
- c) Qualifications, including certifications, of team and members performing the work.

d) Recent references from clients on similar types of work performed and successful completion of previous work.

3. Level of Effort

Proposed level of effort to respond and satisfy the District’s service requirements and needs.

4. Project Responsiveness

Ability to respond to service requirements, including potential day and night-time work.

5. Contractual Requirements

Ability to meet all District’s administrative requirements, including, but not limited to, proposed monthly fees and hourly rates, insurance, liability, equal opportunity practice, labor compliance, and any exceptions taken to the District’s Professional Services Contract.

6. Value Added

Consideration of any optional added value scope of services tasks/items with demonstrated significant and measurable cost savings.

IV. SELECTION PROCESS

TCWD intends to select a provider best suited to meet its needs based on the SOQs received and conducted interviews. Final selection will be based on evaluation of qualifications and interview(s). Submitting firms should note that fee proposals and pricing, while important, will not be the sole deciding factor in the final selection. TCWD will negotiate a final scope and fee for services with the selected provider.

The SOQs will be initially screened by the District and an invitation to interview with the District will be extended to selected providers. Selected providers may be invited to participate in one or more interviews, which may include an opportunity for the proposers to make a brief presentation to the District. The District currently anticipates that the initial interviews of selected providers will take place at the District’s administrative facility in Trabuco Canyon, California, the week of **June 3, 2024**.

TCWD is not, nor shall be, deemed liable for any costs incurred by proposers during the preparation, submittal, or presentation of their proposal, any interviews, and/or meetings with the District as part of this selection process. The project manager(s) will be expected to be physically present for any interview the agency has been invited to participate in. TCWD is not inclined to waive the requirement for the project manager(s) to be physically present for the interview, but may accommodate alternative methods for participation, if justified. Written clarification of a submitted SOQ may also be required of a submitter.

Proposers responding to the RFQ are advised that **all** information contained in submitted proposals and associated materials **shall** become a matter of public record subject to the California Public Records Act of 2004 (Govt. Code Section 6250 et seq.), and the information’s use and disclosure are governed by this Act.

TCWD reserves the right to reject any and all proposals, waive any proposal formalities, and modify, postpone, or cancel the proposed selection procedure at its sole discretion. The District, at its sole discretion, may waive any omission that it deems to be non-essential or inconsequential.

V. SOQ SUBMITTAL FORMAT AND DEADLINE

Responses to this RFQ will be in writing only and should respond to each element of the Scope of Work and submittal requirements. Responses should be complete and self-contained and should not require reference to other documents or sources in order to be complete.

VI. ANTICIPATED EVALUATION TIMELINE

TCWD anticipates that it will review and consider submitted SOQs the week of **May 20, 2024**. The target for initial interviews with selected firms is currently the week of **June 3, 2024**, with interviews expected to take place at the District's administrative facility located at 32003 Dove Canyon Drive, Trabuco Canyon, California. The selection and work on TCWD's behalf are expected to begin **July 1, 2024**.

The contract for human resources and employee benefit support services will be in accordance with TCWD's Professional Services Agreement, a copy of which may be requested by emailing admin@tcwd.ca.gov. TCWD is not inclined to modify the Professional Services Agreement but will consider proposed modifications that specifically included as part of the written proposal.

VII. ADDITIONAL INFORMATION AND CHANGES

All requests for additional information shall be made in writing to the Assistant General Manager by letter or email. No oral modifications of this RFQ shall be valid. Any modifications shall be written and issued by an RFQ addendum.

PROPOSAL

Trabuco Canyon Water District HR Consulting Services

June 31, 2024

SUBMITTED BY:
CHRISTINA BATORSKI PEACOCK
Manager, Talent Acquisition & HR Services

CPS HR Consulting
2450 Del Paso Road, Suite 220
Sacramento, CA 95834
P: 916-471-3426
cbpeacock@cpshr.us
Tax ID: 68-0067209

www.cpshr.us



Your Path to Performance

June 31, 2024

Michael Perea, Assistant General Manager
Trabuco Canyon Water District
32003 Dove Canyon Drive
Trabuco Canyon, CA 92679

Submitted via email to: MPerea@tcwd.ca.gov

Subject: HR and Employee Benefits Support Services RFQ

Dear Michael,

CPS HR Consulting (“CPS HR”) is pleased to have the opportunity to submit a proposal to assist the Trabuco Canyon Water District (“District”) with HR Consulting Services provide support for your agency’s HR needs. We are uniquely qualified to undertake this effort as we have vast experience in assisting public agencies as necessary.

We can assist with any of your Human Resources functions as well as providing strategic HR consultation to support the day-to-day HR function as needed and on-demand. With a rich history of assisting government agencies with a full range of human resources services, we at CPS HR are confident that together we can provide expert solutions to meet your needs in a cost-effective manner.

We have a deep bench of experts in a broad array of human resources disciplines, long-term experience providing services within the public sector, and an emphasis on quality and value that can be confirmed by our current and past clients.

CPS HR also delivers personalized results-oriented service, utilizing best practice methods and strategies from our team of experts. You will find that:

- ***We are practiced at providing exemplary and responsive service for a variety of HR services.*** CPS HR has held many contracts with local government agencies, so we know how to be responsive to your unique needs. We have the staff, expertise, and resources to provide top-notch professional audit and review services and we are also full-service HR practitioners.
- ***We bring in-depth understanding of all local government operations, programs, and services.*** CPS HR has been helping public agencies meet their human resource needs ***for 35 years.*** Our team of experts includes a variety of professionals with the credentials and direct public agency experience necessary to deliver technically accurate content in an innovative and engaging manner.

- ***We have local presence and commitment to maintaining open communications with the District.*** Our project team will focus on integrating with your team and maintaining open communication with your staff to ensure that every activity is completed in a quality manner and adheres to the timeline and budget.

Thank you for the opportunity to be considered for this assignment. Should you have questions or comments about the information presented in this proposal, **please contact me at cbpeacock@cps hr.us or (916) 471-3426.**

Sincerely,



Christina Batorski Peacock
Manager, Talent Acquisition & HR Services

About CPS HR Consulting

ORGANIZATION IDENTIFICATION INFORMATION	
Legal Name and DBA	Cooperative Personnel Services dba CPS HR Consulting
Headquarters	Physical: 2450 Del Paso Road, Suite 220, Sacramento, CA 95834 Mailing: 2450 Del Paso Road, Suite 160, Sacramento, CA 95834
Main Phone	(800) 822-4277
Regional Offices	20211 Guadalupe Street, Suite 260, Austin, TX 78705 9233 Park Meadows Dr #139, Lone Tree, CO 80124 1968 S. Coast Hwy # 961, Laguna Beach, CA 92651
Year Established	1985
# of FTEs	110
Type of Organization	Joint Powers Authority
Website	www.cpsshr.us

CPS HR is a client-centric human resources and management consulting firm specializing in addressing the unique challenges and complexities encountered by government and non-profit organizations. With a history dating back to 1985, **we have consistently served as a trusted advisor to our clients**, understanding their specific needs as self-supporting public agencies.

Our mission is to advance excellence in human resources within the public sector, and our vision is to empower individuals to fulfill the ideals of public service. CPS HR's core competency lies in our in-depth knowledge and expertise in the public sector landscape. Being a public agency ourselves, we possess a deep understanding of the intricacies and issues faced by our client base.

For nearly four decades, CPS HR has been delivering ongoing HR consultation services to a wide spectrum of clients, ranging from state, federal, and local governments to special districts and non-profit organizations. CPS HR is headquartered in Sacramento, California with regional offices in Texas, Colorado and Southern California. Our extensive experience includes numerous projects with agencies of similar size and scope.

Core Services

CPS HR believes in an integrated, systems-based approach to talent management and provides consulting in all the key areas listed below.

CPS HR CONSULTING CORE SERVICES



Comprehensive HR solutions for advanced organizational performance.



CLASSIFICATION & COMPENSATION

- Classification
- Compensation



DIVERSITY, EQUITY & INCLUSION (DEI)

- DEI Strategic Planning
- DEI Training



HR CONSULTING

- Audit & Compliance
- HR Outsourcing
- HR Membership
- Complaint Investigations



LICENSING & CERTIFICATION

- Accreditation
- Candidate Management
- Program Management
- Testing Services



ORGANIZATIONAL STRATEGY

- Organizational Assessment
- Change Management
- Employee Engagement
- Performance Management
- Succession Planning
- Workforce Planning



RECRUITMENT & SELECTION

- Executive Search
- Mid-Management and Specialized Recruitment
- General Recruitment
- Employer Branding



TESTING

- Assessment Center
- Job Analysis
- Test Rental
- Test Administration
- Selection Tools Development



TRAINING & DEVELOPMENT

- Executive Coaching
- Training Center
- Open Enrollment Training
- On-Site Training

CORE MARKETS



Federal



State



Local



Special Districts



Education



Non-Profit Organizations

Joint Powers Authority

Cooperative Personnel Services, doing business as CPS HR Consulting, is a national firm and is a governmental Joint Powers Authority (JPA) of the State of California. A JPA is a public agency created pursuant to the Joint Exercise of Powers Act (Government Code 6500 et seq). This Act allows two or more government agencies to establish a new public entity authorized to exercise those powers jointly held. A JPA is an instrumentality of a state or a political subdivision of a state and is not a registered corporation of any state. Cooperative Personnel Services was established under a “Joint Powers Agreement” by the State Personnel Board of the State of California, the counties of Sacramento and Sonoma, the Hayward Unified School District, the City of Anaheim, and the East Bay Municipal Utility District, and its purpose is to provide the opportunity for the joint powers “to discuss, study and solve common or similar problems with respect to modern human resource and related management processes.”

Our Chief Executive Officer (CEO) reports to a Board of Directors representing diverse public sector agencies across the nation. Our Board members are listed in the chart on the next page.



CPS HR BOARD OF DIRECTORS

1. Linda Andal, HR Director, City of Anaheim (CA)
2. Vincent Zamora, HR Director, City of Las Vegas (NV)
3. Fernando Yañez, Exec Director of Classified HR, Hayward Unified School District (CA)
4. Vacant, Pinellas County (FL)
5. Kimberly Crum, Director of HR, County of Mecklenburg (NC)
6. LaShon Ross, HR Director/Risk Management, City of Plano (TX)
7. Joseph Hsieh, Personnel Services Manager, County of Sacramento (CA)

Approach to Providing Outstanding Customer Service

CPS HR uses a comprehensive approach for planning, organizing, directing, and controlling consulting engagements. **At CPS HR Consulting, our philosophy for delivering outstanding customer service is deeply rooted in our commitment to client satisfaction and success.** We understand that every client is unique, and we tailor our approach to meet their specific needs and objectives. Our core principles for exceptional customer service include:

- **Client-Centric Approach:** We prioritize the client's goals and vision, ensuring that our solutions align with their objectives. By actively listening and engaging with our clients, we develop a comprehensive understanding of their challenges, allowing us to provide tailored and effective solutions.
- **Open Communication:** We believe in transparent and open communication throughout the project lifecycle. Our dedicated project managers maintain regular contact with clients, providing updates, addressing concerns, and seeking feedback to ensure alignment and satisfaction.
- **Responsive and Accessible:** Our team is readily available to address client inquiries and concerns promptly. Whether through scheduled meetings, e-mail, or phone calls, we maintain accessibility to support our clients whenever needed.
- **Expertise and Innovation:** Our consultants bring a wealth of knowledge and experience to each project. We stay current with industry best practices and innovative approaches to deliver solutions that drive success.

HR Consultation

Our Understanding of the Scope of Work

We understand that the District is currently looking for a professional consulting firm to provide an human resources consultant to perform human resources services in the absence of having an in-house HR staff, to support your District's ongoing HR needs. We are committed to provide the District with public sector HR Consultants that are significantly experienced and able to meet the level of effort to respond and satisfy the needs and requirements of your District. We are committed to respond in a timely manner to all requests within a 24-hour period and if necessary to be available on an occasional evening or weekend when required. We can attest we are able to meet all contractual requirements listed in the RFQ with the exception that we do not own any vehicles.

Our HR Consulting services include but are not limited to supporting all the areas requested in your RFQ on the topic of Employee Recruitment, Selection, and Retention Services, Classification and Compensation, Employee Benefits Administration, Employee Benefits Administration, Employee Relations Services, Coordination with District Legal Counsel General Staff Support & Program Administration as defined by the District.

Although we propose providing virtual HR support during the term of the agreement, we can provide ½ day in-person support during open enrollment periods when necessary.

Our standard HR Consulting Services does provide for single classification and base pay compensation studies. In the event the District seeks a complete comprehensive total compensation and review of all job classifications, for comparison to market, we would be happy to provide a separate cost letter.

Value Added Service

VALUE PROPOSITION

We deliver comprehensive HR solutions built on unparalleled government expertise to meet our clients' unique needs. Our experienced HR advisors bring an unmatched perspective.

We help clients succeed by:

- **Understanding Their Goals:** We listen to your needs, understand your business, and focus on achieving your desired outcomes.
- **Unlocking New Perspectives:** Together we explore new ideas, expand possibilities, and consider the broader impact on those you serve.
- **Bringing Solutions to Life:** We put plans into action, making strategies operational and effective.

- **Empowering Their Growth:** Provide you with the tools and knowledge to elevate performance and expand capabilities for your organization and those you serve.

HR Consulting Services

Our standard approach includes providing human resources expertise, advice, and consultation to ensure appropriate research, analysis, and professional HR guidance are utilized for all assigned duties and responsibilities. These duties would include delivery of HR services as well as providing best practice recommendations and assistance with implementation in the requested service areas.

CPS HR staff assigned would work remotely and can assist with a specific project or provide operational or strategic HR consultation to support the day-to-day HR function as needed and on-demand. We will comply with any confidentiality and system requirements the District has determined are necessary to maintain the integrity and confidentiality of its data.

HR Support and Consultation: In addition to the items you have specified in the RFQ, CPS HR can provide the District with **virtual** HR consultation in the areas requested by the District, and we also provide support in these primary areas below. Some typical tasks listed below:

HR Administrative Services (administration, policy development and review, compliance audits, etc.)

- Assist with the review and interpretation of current, revised, and/or new HR-related laws, policies, and/or procedures
- Write new policies, as needed, or requested
- Periodically audit HR records and practices for compliance
- Recommend best practices for ongoing compliance
- Leave management administration

Recruitment, Examination, and Selection

- Work with hiring managers to develop job postings and ideal candidate profiles
- Devise a recruitment strategy and timeline
- Develop recruitment flyers or brochures, if needed
- Create and post advertising in appropriate channels
- Perform outreach to build awareness of the position and attract diverse candidate pools
- Review application materials
- Conduct scoring and screening processes
- Conduct reference and background checks, if requested (background checks incur a cost per candidate)

Benefit Administration

- Field employee questions
- Process benefit enrollments, changes, and terminations
- Work with third party providers
- Assist with open enrollment activities

Employee Relations (investigations, mediation, etc.)

- Provide advice, counsel, recommendations, and training to ensure a positive and productive work environment
- Provide direction for employee related matters such as time-off, medical leave, formal and informal employee complaints, discipline, termination of employees, and unemployment
- Prepare and implement strategies to prevent and resolve employee problems or disputes
- Provide mediation or investigative services if needed (and at an additional cost/higher pay rate)

Labor Relations

- Ensure compliance with MOUs or other bargaining agreements
- Policy creation relative to MOUs
- Respond to grievances
- Union communications

Classification and Compensation Studies

- Draft or revise job descriptions
- Perform single classification studies
- Conduct market rate base salary compensation studies

Performance Management

- Review performance management processes, procedures, tools, and resources and updated, if needed.
- Ensure performance management schedule is updated and communicated to employees and supervisors.
- Facilitate training of performance management process with new employees and supervisors.
- Ensure all required documentation is submitted for the employee's personnel file at the completion of the performance period.

Human Resources Consulting Experience

CPS HR frequently works with government organizations to assist with day-to-day human resources activities which include but are not limited to recruitment and selection, policy review or development, employee relations and performance evaluations, progressive discipline, and PIPs, processing new hires and personnel record administration, classification/compensation, and providing analysis and consultation and correspondence on a variety of human resource related policies and procedures. Some examples include:

- City of Hawaiian Gardens, CA
- City of Oakland, CA
- City of Ontario, CA
- City of Rialto, CA
- City of Salinas, CA
- City of Santa Rosa, CA
- City of Turlock, CA
- Contra Costa Youth Services Board, CA
- Contra Costa Community College District, CA
- City of Moreno Valley, CA
- City of Cathedral City
- Las Gallinas Valley Sanitation District, CA
- San Bernardino Valley Municipal Water District, CA
- San Bernardino Valley Water Conservation District, CA
- Ventura County Transportation Commission, CA
- Jurupa Area Recreation and Parks District, CA
- Riverside Community College District, CA
- City of Sheridan, CO
- Park County, CO
- Town of Eaton, CO

Examples of Similar Work

City of Santa Rosa, CA

In Santa Rosa, we placed a principal consultant to work 20 hours a week onsite to handle specific human resources related activities which include but are not limited to general human resource administration, recruitment and selection efforts including public safety, classification and compensation studies, review and/or development of desk manuals related to recruitment and selection processes, review of City's current recruitment and selection processes to include recommendations of best practices.

City of Sheridan CO

In Sheridan, we have placed a consultant to work 30 hours a week both onsite and remote to handle all of the day-to-day human resources activities which include, but are not limited to, general human resources administration and records management; manage hiring, onboarding, promotion and separation of employees; handle employee relations and conflict resolution; review compensation and benefits package; administer leave policies; performance management; administer worker's compensation; ensure employee handbook is current; and administer and interpret personnel policies. This engagement is current and has been in place since 2018.

City of Turlock, CA

In Turlock, we have placed a senior consultant and administrative technician to work a combined 30 hours a week both remote and onsite to handle all recruitment and selection activities for the City. This engagement is current.

San Bernardino Valley Municipal Water District

At San Bernardino, we provided remote human resources support up to 20 hours a week on an as needed basis. A senior consultant provided support in the areas of recruitment and selection, policy and procedure review, handbook update, employee relations, and recommendations for best practices. CPS HR also conducted an assessment of the human resource functions and determined the City needed a designated HR Manager and presented this recommendation to the District's Board for approval. CPS HR assisted with the recruitment and selection for this newly added position.

Similar Work References

Reference #1

Agency:	Ventura County Transportation Commission
Type of Agency:	Public Sector – Local Government
Size of Agency:	20 employees
Contact Person/Info:	Sally DeGeorge, Finance Director; (805) 642-1591; ssellers@goventura.org
Description of Services:	Assigned a consultant to work 20 hours a week remotely to provide HR support, as needed including: general human resources administration and records management; manage hiring, onboarding, promotion and separation of employees; handle employee relations and conflict resolution; review compensation and benefits package; administer leave policies; performance management; and administer and interpret personnel policies. (September 2022 to present)

Reference #2

Agency:	City of Turlock, CA
Type of Agency:	Public Sector – Local Government
Size of Agency:	530 employees
Contact Person/Info:	Jessie Dhami; (209) 668-5810; JDhami@Turlock.ca.us
Description of Services:	We have placed a senior human resource consultant and administrative technician for a combined 30 hours a week both onsite and remote to assist with the City's recruitment and selection needs. (March 2021 to January 2023)

Pricing Structure

In response to the needs described, CPS HR will assign a highly skilled and fully knowledgeable Human Resource Consultant who will be available to provide **virtual** ongoing HR support to the District for up to 10 hours per week from contract execution (expected to begin July 29, 2024 through August 1, 2025 (approximately 52 weeks x 10 hours/week = 520 hours) at which times the agency may extend the agreement for a second year for continued services based upon the set hourly rates for 2025. In the event the District no longer needs HR Consulting Services, there is no obligation to expend the NTE amount set forth in the Agreement. CPS HR will invoice the District on a monthly basis for the hours expended.

CPS HR proposes a time and materials contract with a **not-to-exceed amount of \$80,000** for the first year for all labor and expenses related to HR Consulting services. At any time by mutual agreement the District may extend the NTE amount for ongoing HR Consulting services if needed.

Project Team Roles and Hourly Rate	
CPS HR Staff Classification	Hourly Rate
Project Manager	\$180/hour
Principal Consultant/Technical Expert	\$150/hour
Senior Consultant	\$130/hour
HR Consultant	\$120/hour
Administrative Support	\$100/hour

It is assumed the scope of services will be performed remotely. If onsite meetings are requested, travel time will be billed at 50% of the hourly rate and travel expenses will be billed at the standard IRS rates. Actual out-of-pocket reimbursable expenses for such items as advertising for a recruitment, printing/copying, postage/delivery charges, and related fees, if paid by CPS HR, will be billed directly to the City for actual expenses incurred. The District will have final approval on any expenses utilized for each recruitment effort. CPS HR is open to discussing alternative work plans which may alter the cost of the project.

Project Team

Key Personnel

Project Manager

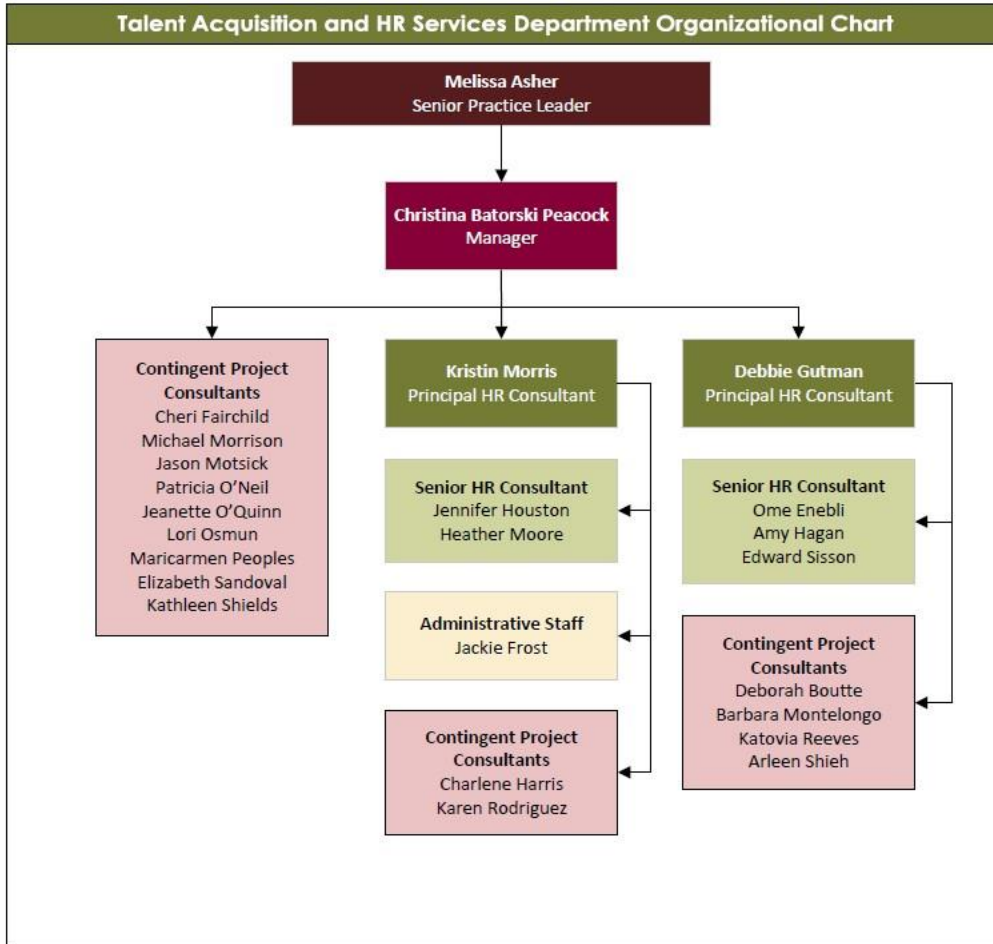
We have assembled a strong project team, with each member selected for their specific expertise, experience working in the public sector, and professionalism. We have selected **Ms. Debbie Gutman M.A., SPHR, PHR-CA** to be the Project Manager for this assignment because of her strong project management skills. She will serve as the main point of contact for the District coordinating all aspects of the project including the project staff, finalizing project plans and deliverables, organizing and securing resources, managing communications, monitoring project progress, resolving any problems, and ensure timely and successful completion of the engagement.

Ms. Gutman has over 25 years of comprehensive experience in Human Resources, including both public and private sector. She has a knowledge and understanding of federal and state labor laws, full-cycle recruiting, employee relations, compensation, training, budget administration, and policy development.

Project Team

The specific project team will be based on team member availability and expertise at the time of contract execution. We have included an organizational chart of the team that will be supporting this scope of work.

All our project staff have extensive experience working with public agencies and are skilled in using programs in the Microsoft Office Suite.



Employee Benefits Broker Proposal for Trabuco Canyon Water District

Scope of Services

Keenan shall provide the following Services:

1. Plan Review – Keenan shall review applicable benefit plan(s) and provide information and recommendations regarding insured and/or self-insured options, as requested by Client.
2. Insurance Needs Assessment – Keenan shall work with Client to determine Client’s insurance needs.
3. Insurance Marketing Plan – Review, evaluate and negotiate insurance renewals on Client’s behalf. Keenan shall prepare and present to Client its plan for marketing Client to various carriers and/or Coverage providers. In furtherance of its plan, Keenan shall contact those markets that it has determined most likely to meet Client’s needs, as made known to Keenan, but shall not necessarily contact every available market for the particular Coverage being sought. In so far as practical, Keenan shall honor Client’s timely and reasonable requests to contact specific markets, but Keenan shall not be obligated to present Client to any carrier or Coverage provider which Keenan has determined would not be willing to quote Client’s business or would not give a competitive quote.
4. Insurance Marketing Results – Keenan shall present to the client, in summary format, information concerning all markets and carriers approached. The summary shall include, as applicable: name of carrier and Coverage providers approached, limits, premium, and deductible. The summary shall also include the names of any carriers or Coverage providers who declined to provide a quote.
5. Review of Insurance Options – Keenan shall present, along with the Marketing Results, a comparison summary highlighting the significant terms and/or differences among the various Coverages quoted. This summary is provided for Client’s convenience only. It is Client’s responsibility to ask questions and to request any additional information that it deems necessary for it to make an informed decision regarding its insurance or self-insurance program.
6. Obtain Coverage – Once the Client has made its decision, Keenan shall take all steps necessary to communicate Client’s decision to the carrier selected and to have the carrier or other Coverage provider bind Coverage on behalf of the Client.
7. Implementation – Keenan shall assist Client in the preparation and distribution of materials relating to the implementation of its coverage, for which client shall give final approval.
8. Ongoing Service -- Keenan will provide the following Client support services:
 - Continued analysis of benefit plan design and performance noting available alternatives as appropriate;

- Direction and support with claims resolution and other related issues;
- Review of claims experience and trends;
- Support with billing/eligibility concerns;
- Acting as a liaison between Client and carriers and vendors and serving as a proactive Client advocate;
- Responding to day-to-day benefit questions from Client;
- Assisting Client with governmental reporting and filings (e.g., 5500's and Summary Annual Reports), as applicable;
- Providing information concerning current developments and trends in employee benefits and new legislation that may affect Client's plans;
- Assisting in drafting, review and/or amendment of benefit plan and related documents. Any document drafted or reviewed by Keenan and approved by Client under this Agreement shall apply solely to the plan year for which the Service was provided. They are not intended for use beyond the plan year for which they were created, reviewed or revised. Keenan shall not be held liable for any direct, punitive, special, consequential or incidental damages, loss of profit or revenue, loss of business, loss or inaccuracy of data or scope of insurance resulting from the continued use of such plan documents or SPD beyond the dates for which they were intended;
- Notwithstanding the foregoing, benefit guides shall not be part of the services contemplated herein, unless Keenan has explicitly agreed in writing to include them pursuant to the current agreement;
- Assisting in the coordination and preparation of open enrollment, orientation, health fairs, and/or question and answer meetings for Client's employees.

Keenan offers the following three compensation options for consideration:

a. Flat Fee

- i. Keenan's proposed fixed fee model for a five year (5) year an annual concierge retainer as follows:

Year 1 - \$13,995

Year 2 - \$14,275

Year 3 - \$14,560

Year 4 - \$14,852

Year 5 – \$15,149

Subsequent contract years subject to mutual agreement.

b. Commission

As compensation for its provision of the Services, Keenan shall receive commissions from insurance carriers and/or other vendors for the placement of insurance coverage. The District shall have no responsibility for the payment of any such commission to Keenan. The District acknowledges that commissions paid by insurers to Keenan that are directly related to the insurance coverage purchased by the District as part of the plans may impact the pricing that Keenan is able to obtain for the District for such coverage.

c. Commission Not To Exceed

Keenan shall receive commissions from insurance carriers and/or other vendors for the placement of insurance coverage pursuant to this Agreement. The District shall have no responsibility for the payment of any such commission to Keenan. The District acknowledges that commissions paid by insurance carriers and/or other vendors that are directly related to the coverage purchased by the District may impact the pricing that Keenan is able to obtain on behalf of the District for such coverage.

B. Once all fees and commissions payable above have been received, Keenan will perform a reconciliation of the total amount received. If the amount received is less than the flat fee stated in 'A' of this proposal, the District will be balance billed for the difference. If the amount received is over the flat fee stated in 'A' of this proposal, Keenan will return to the District the amount of the overage.

d. Please also note the following for all three options above:

- i. As it directly relates to the services provided under this agreement, there are no additional fees/compensation that would be built into applicable premium rates.
- ii. The commissions/fees in this proposal include the development of a digital Employee Benefit Guide at no additional cost. Guide Styles will include ADA, compressed PDF and Dynamic Flip book style. Printing and mailing (if applicable) will be additional cost at the current market pricing at the time of request.



- iii. Proprietary add on programs that the District may, from time to time, participate in are excluded from the above pricing. Examples of such proprietary programs include (but are not limited to): Futuris Care, RetireeFirst, KPPC, CompleteCare, and other proprietary programs not yet developed but that may result in savings to the District that are greater than the fee associated with the program.
- iv. Additionally, the cost (if any) of Benefits Administration System or Platform services, as applicable, would be separate from the above fees stated.
- v. Voluntary/Worksite programs/coverages are not included in the fees above and would be subject to standard carrier commissions.

Employee Benefits Scope of Services

Keenan



Brokerage

- Benchmarking
- Plan design
- Plan comparison
- Market opportunities
- Negotiate renewals
- Voluntary Benefits



Consulting & Analytics

- Medical and Rx analysis
- Plan disruption analysis
- Forecasting and predictive modeling
- Plan design and funding analysis



Communications

- Communications strategy
- Branded benefits guide, postcard, poster
- E-mail branded announcements



Employee Advocacy

- Employee call center
- Escalated claims resolution
- Dedicated 800 number and email
- Liaison between employee and carrier
- Telephonic support for over 200 languages



Compliance

- ERISA attorneys and compliance team
- Health care reform guidance
- Plan documents and SPDs
- Initial compliance audit
- Signature ready 5500s and SARs
- Notification of legislative changes



Benefits Administration

- Online enrollment platform
- Eligibility and billing administration
- Consolidated billing
- FSA, COBRA, HRA administration
- Real-time administration panel, employee portal

Employee Benefits Scope of Services

Keenan



Pharmacy & Analytics

- Custom PBM and clinical programs
- Pharmacy coalition drug purchasing tool
- Clinical care management
- RFP / vendor selection
- Contract review and negotiation
- Market check analysis



Executive Benefits

- Executive benefit plans to attract top talent
- Retirement plans
- Business succession planning
- Wealth preservation
- Life and disability plans
- Executive long-term care



CompleteCare

- Creates savings and enhances coverage by transitioning employees, spouses and dependent children from your group medical plan to spouse's employer-sponsored plan
- Reimbursements for eligible out-of-pocket expenses: co-pays, deductibles, coinsurance, etc.
- Provides financial relief, especially for high utilizers
- Participation is voluntary



Employee Health Management

- Health and wellness needs assessment
- Health management strategic planning
- Wellness program implementation, coordination, and evaluation
- Wellness service provider acquisition
- Wellness platform
- Wellness program compliance



Additional Services

- COBRA, FSA, HSA management
- Stop Loss Coalition
- Medical TPA
- Translation services
- Mobile applications
- Printing, mailing and fulfillment

**TRABUCO CANYON WATER DISTRICT
EXECUTIVE COMMITTEE MEETING | AUGUST 5, 2024**

OTHER MATTERS

ITEM 5: REPORTS OR COMMENTS FROM THE GENERAL MANAGER AND/OR STAFF

Other matters may have arisen after the posting of the agenda and will be brought forward for discussion and/or information at the time of the Executive Committee.

RECOMMENDED ACTION:

Hear other matters from the General Manager and/or Staff.

CONTACTS (staff responsible): PALUDI/PEREA