

**MINUTES OF THE SPECIAL MEETING OF THE
BOARD OF DIRECTORS OF TRABUCO CANYON WATER DISTRICT
AUGUST 3, 2015**

The Special Meeting of the Board of Directors of the Trabuco Canyon Water District (TCWD) was called to order by President Stephen Dopudja at 6:03 PM, in the Board Room at the District Administrative Facility, located at 32003 Dove Canyon Drive, Trabuco Canyon, California. Mr. Michael Perea, District Secretary, recorded and transcribed the minutes thereof.

DIRECTORS PRESENT

President Stephen Dopudja
Vice President Glenn Acosta
Director Edward Mandich
Director Michael Safranski

DIRECTORS ABSENT

Director James Haselton

STAFF PRESENT

Hector Ruiz, General Manager
Michael Perea, District Secretary
Lorrie Lausten, Engineer
Karen Warner, Accounting Supervisor
Lisa Carmouche, Administrative Assistant

DISTRICT CONSULTANTS PRESENT:

District General Legal Counsel – Rob Anslow (Bowie, Arneson, Wiles & Giannone)
District Treasurer – Cindy Byerrum (Platinum Consultants)
Assistant District Treasurer – Josh Byerrum (Platinum Consultants)
Steve Gagnon, PE, Senior Consultant (Raftelis Financial Consultants, Inc.)

PUBLIC PRESENT

There were members of the public present

PLEDGE OF ALLEGIANCE

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

VISITOR PARTICIPATION

There was no Visitor Participation received.

ORAL COMMUNICATION

There was no Oral Communication received.

DIRECTOR'S COMMENTS

Vice President Acosta commented on his attendance at the Independent Special Districts of Orange County (ISDOC) meeting, and mentioned that the group discussed the financial effects of the State Water Board's mandated Conservation Standard on water agencies.

**TRABUCO CANYON WATER DISTRICT
SPECIAL BOARD OF DIRECTORS MEETING MINUTES | AUGUST 3, 2015**

Director Mandich commented that while on a personal vacation in Lake Tahoe and he witnessed firsthand the adverse effects of the snowpack loss during the drought. Director Mandich mentioned that the lowered water level of the lake does not reach the shoreline or the docks.

Director Safranski commented on a recently published Orange County Register article which discussed the impact of the drought on water districts revenues, and reviewed examples cited in the article.

President Dopudja commented on his attendance at the Municipal Water District of Orange County (MWD) Water Policy Forum and Dinner which featured State Water Resources Control Board Chair Felicia Marcus.

REPORT FROM THE GENERAL MANAGER

Mr. Ruiz reported that the State Water Board congratulated all water districts in the State that exceeded a reduction of 25%, and mentioned that agencies which missed their mandated Conservation Standard by 1% or more have received recommended actions to improve public outreach and increase water conservation within their respective service areas. Mr. Ruiz added that based on preliminary data from the Water Operations Department, the District will experience an approximate 40% potable water use reduction in July 2015 in comparison to July 2013.

ACTION CALENDAR

ADMINISTRATIVE MATTERS

ITEM 1: WORKSHOP REGARDING TCWD'S WATER, WASTEWATER AND RECYCLED WATER RATES

Mr. Ruiz provided a status update concerning the District Rate Analysis of Water, Wastewater and Recycled Water Rates for the Board, and mentioned that Mr. Gagnon from Raftelis Financial Consultants, Inc. (RFC) was in attendance to deliver a presentation to determine the Board's rate structure pricing objectives. Mr. Gagnon's presentation included the following topics:

- **Rate Study Background** - Rate Study at a Glance: Mr. Gagnon reviewed RFC's recommended steps for the adoption of new water, wastewater and recycled water rates which included a Rate Study Framework, the development of a sound Financial Plan, Cost of Service and Rate design which follow industry standards such as the AWWA M1 Manual, Water Environment Federation (WEF), and the California Urban Water Conservation Council (CUWCC) Best Management Practices (BMP), and the final adoption of the rates at a public hearing in compliance with Proposition 218. Mr. Gagnon reviewed key legislation in California which has significantly affected the establishment of water rates which included cost of service requirements in both Proposition 218 and California Government Code; Pass-Through Provision per Assembly Bill 3030 and Section 53756 of the Government Code; and other water conservation based legislation, such as Article X of the California Constitution, Senate Bill X7-7 (20% reduction by 2020) and Executive Order No. B-29-15. Mr. Gagnon reviewed the requirements of Proposition 218, as well as the effects of recent court cases, i.e. Capistrano Taxpayers Association vs. City of San Juan Capistrano on the development of water rates in California.

- **"Rates 101"** - Mr. Gagnon reviewed RFC's Rate Study Approach with the Board as a three-phased process:
 - Phase 1: Policy Review – Project Initiation, Review Pricing Objectives, Policy Review; Usage Analysis
 - Phase 2: Model Development – Policy Review, Financial Plan, Cost of Service Analysis, Rate Calculations, Impact Analysis
 - Phase 3: Implementation – Comprehensive Report, Easy to Understand Presentation, Proposition 218 Public Hearing.

Discussion occurred concerning the establishment of objectives and goals to determine the appropriate rate

**TRABUCO CANYON WATER DISTRICT
SPECIAL BOARD OF DIRECTORS MEETING MINUTES | AUGUST 3, 2015**

structure and pricing objectives. Mr. Gagnon reviewed the Financial Plan development process and highlighted the key factors involved in the development of multi-year Financial Plan and the demonstration of cost of service by customer class through functionalized revenue requirements allocated to cost components. Discussion occurred concerning the District's peak costs and the importance of accurate monthly water data by customer class. President Dopudja inquired if RFC plans to review the costs associated with fire prevention and safety in addition to storage and flow capacity; Mr. Gagnon replied that fire-related costs are a consideration in the rate analysis. Mr. Gagnon reviewed the cost component recovery of the rate design and highlighted the different costs recovered by fixed versus volumetric charges, as well as the industry standard methodology for the development of wastewater cost of service rates.

- **Pricing Objectives Discussion and Exercise** - Mr. Gagnon reviewed and provided clarification with respect to the key pricing objective considerations that need to be balanced in water rate development: Affordability, Conservation, Equity/Defensibility, Revenue Stability, and Administrative/Customer Ease of Understanding. The Board was provided a Pricing Objectives Exercise handout to gauge their individual goals of the rate analysis. Discussion occurred concerning the District's service area historical demands and challenges, as well as the impact of zone areas based on water pumping challenges. The Board Members present provided their importance ranking for each pricing objective and directed the General Manager to meet with Director Haselton to obtain his ranking of the pricing objectives.
- **Initial Considerations and Recommendations** - Mr. Gagnon reviewed the benefits and drawbacks of passing through water supply costs to customers in the current drought conditions, and the type of fixed charges and rates which are allowed to be passed on to customers. Mr. Gagnon reviewed the District's current Conservation Encouragement Rate Program (CERP) and flat rates based on meter size, and made initial recommendations based on his experience with water rate analyses which included the simplification of the CERP. Mr. Gagnon reviewed the District's current wastewater rate structure and recommended maintaining a single-family residential flat rate, but adjust other customer class rates to a flat rate plus a volumetric rate based on sewer strength, and not meter size. Discussion occurred concerning the development of the Financial Plan and the timeline for adoption of the new water, wastewater, and recycled water rates. Mr. Ruiz suggested that the scheduling of another Special Board Meeting to review the Financial Plan development process and document.

Action: The Board received the information concerning the matter, and through the Board President, scheduled a Special Board Meeting for Monday, September 14, 2015 at 6:00 PM to review the development of the District's Financial Plan in relation to the Water, Wastewater and Recycled Water Rate Analysis.

ADDITIONAL DIRECTORS' COMMENTS

Vice President Acosta inquired on the current levels of the District's Reserves and certain elements of the District's Reserve Policy.

ADDITIONAL GENERAL MANAGER COMMENTS

Mr. Ruiz mentioned that District staff is currently preparing a Ten Year Capital Improvement Program which will be included in the Water, Wastewater and Recycled Water Rate Analysis for review with the Board of Directors and at Finance/Audit and Engineering/Operational Committees.

END ACTION CALENDAR

ADJOURNMENT

President Dopudja adjourned the August 3, 2015, Special Board Meeting at 7:50 PM.