

**MINUTES OF THE SPECIAL MEETING OF THE  
BOARD OF DIRECTORS OF TRABUCO CANYON WATER DISTRICT  
SEPTEMBER 14, 2015**

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The Special Meeting of the Board of Directors of the Trabuco Canyon Water District (TCWD) was called to order by President Stephen Dopudja at 6:00 PM, in the Board Room at the District Administrative Facility, located at 32003 Dove Canyon Drive, Trabuco Canyon, California. Mr. Michael Perea, District Secretary, recorded and transcribed the minutes thereof.

**DIRECTORS PRESENT**

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

**STAFF PRESENT**

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

**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 no members of the public present

**PLEDGE OF ALLEGIANCE**

Director Safranski 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**

Director Haselton had no comments.

Vice President Acosta had no comments.

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Director Safranski commented on a recent report from NASA which mentioned that California snowpack is currently at the lowest level in five hundred years.

Director Mandich had no comments.

President Dopudja had no comments.

**REPORT FROM THE GENERAL MANAGER**

Mr. Ruiz reported on the following matters:

- Mr. Ruiz reported that District staff worked with Thomas Communications Group on the current On Tap Newsletter issue which highlighted the adjustment of the District's Conservation Standard of 32% to 28%. Mr. Ruiz added that the On Tap Newsletter explained how that 28% translates into total gallons of water saved for the State Water Board's Emergency Regulation period of 270 days. Mr. Ruiz reported that for the month of August 2015, the District's customers have saved approximately 33% in comparison with the same month in 2013. Discussion occurred concerning the District's ongoing public outreach efforts and informational signage throughout the District's service area.

**ACTION CALENDAR**

**ADMINISTRATIVE MATTERS**

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

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Mr. Ruiz provided a status update concerning the District's 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 on the District's Financial Plan for the determination of the proposed rates. Mr. Gagnon's presentation included the following topics:

**Pricing Objectives Review**

Mr. Gagnon reviewed the pricing objectives determined at the August 3, 2015 Special Board Meeting/Rates Workshop with the Board, and mentioned that the Board expressed a desire to implement a rate design that emphasized revenue stability but was affordable to the District's customers as well. Mr. Gagnon advised the Board that the District's current Financial Policy is comprised of approximately 31% fixed charges, and highlighted the challenges and financial strategies which may be used to achieve revenue stability for the District and affordability for District customers.

**Financial Plan Discussion**

Mr. Gagnon reviewed the District's current Financial Plan for Water, Wastewater, and Recycled Water, and mentioned that the District's current capital reserve target for Fiscal Year 2015/2016 is low in comparison to other water agencies. Discussion occurred concerning the District's current Capital and Reserves Policy. Mr. Gagnon reviewed the impacts of the District's proposed Ten Year Capital Improvement Program (CIP) and Annual Depreciation Expenses based on the original costs. Mr. Gagnon recommended that the District increase the Water Capital Reserve target to balance with the Annual Depreciation Expense. Discussion occurred concerning other District Reserves and reserve balances.

**Financial Plan Development**

Mr. Gagnon reviewed the method which District staff allocated costs to the Water, Wastewater, and Recycled Water Utilities by Budget Component/Expense, which included water-related costs, sanitation-related costs, urban runoff and recovery costs, as well as costs associated with supplies and services, Board expenses, and

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salaries and benefits. Mr. Gagnon reviewed the key assumptions for the District's proposed rates effective January 1, 2016, and highlighted the impacts associated with cost and revenue escalation factors. Discussion occurred concerning revenue and expense challenges, and the impact of the Ten Year CIP. Mr. Gagnon added that District staff reviewed the proposed Original Ten Year CIP (O-CIP) and developed an Essential Ten Year CIP (E-CIP), which is designed to meet the essential and critical needs of the District. Mr. Gagnon mentioned that a smooth CIP creates stable rates over time, which in turn fosters revenue stability. Mr. Ruiz reviewed the significant differences between the O-CIP and E-CIP, and mentioned that the E-CIP is approximately \$5.5M less than the O-CIP. Discussion occurred concerning the critical CIP projects for the next ten years and possible funding strategies to cover District costs. Mr. Ruiz commented that the District may choose to pursue outside funding in an effort to control the affordability of the proposed rate structure.

Mr. Gagnon reviewed the proposed Financial Plan scenarios for proposed Water, Wastewater, and Recycled Water rates, which included the status quo with no revenue increases and another with proposed increases for services. Discussion occurred concerning the history of the District's rates and rate development process. Ms. Byerrum added that since the implementation of the District's new financial software system, that District staff currently has a solid 15 months of accurate water, wastewater, and recycled water revenue and expense data. Mr. Gagnon commented that the District's wastewater utility has a significant operating deficit, and recommended an increase in Wastewater rates in order to meet the basic service costs as well as the District's proposed CIP expenditures. Mr. Gagnon reviewed RFC's proposed Recycled Water Financial Plan with the Board, and mentioned that a modest first year rate adjustment will help the District to meet the basic service costs and proposed CIP expenditures.

Mr. Gagnon presented the District's Water Sales Projections through Fiscal Year 2024/2025 for Board review, which included consideration for the State Water Board's mandated emergency regulations that have a significant impact on District revenues. Discussion occurred concerning new development impacts on the District's water supplies, the impact of normal versus drought water sales, and the possible implementation of a drought surcharge. Mr. Gagnon reviewed the Normal Water Financial Plan and the Drought Water Financial Plan to demonstrate the impact of a drought surcharge on proposed water rate adjustments through Fiscal Year 2019/2020. Discussion occurred concerning rate modeling assumptions, the methodology for determining the drought surcharge trigger, and the necessity of temporary drought rates. Mr. Gagnon recommended that the Board approve the establishment of a pass-through provision for water supply costs as part of the rate adoption, establish drought surcharges based on net revenue loss due to drought induced reduction in sales to recover water system fixed costs, and proceed with the proposed five year revenue adjustments for each enterprise fund. Discussion occurred concerning the overall impact to District customers monthly utility bills; Mr. Gagnon mentioned that the next phase of the analysis is to prepare the cost of services and design the corresponding rate structure and determine the impacts to customers. Discussion occurred concerning the District's current fixed costs, including the Water Reliability and Emergency Storage Fee. Mr. Gagnon reviewed different drought surcharge options and each of their advantages and disadvantages, as well as how each type met the Board's Pricing Objectives.

Mr. Anslow reviewed the Proposition 218 process and notification requirements with the Board, and highlighted the legal requirements of the Notice to the District's customers. President Dopudja emphasized the importance of including the District's customers in the rate development process in order to help them learn about the true cost of District services. Discussion occurred concerning ongoing and planned public outreach methods to advertise the rate development process; Mr. Ruiz mentioned that District staff will continue to use the District's website and the On Tap Newsletter as a primary means of public outreach, but has also considered developing a postcard for mass mailing purposes which can be used to advertise the next Special Board Meeting. Mr. Ruiz

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recommended that a Special Board Meeting be scheduled for the month of October prior to the Regular Board Meeting to review RFC's proposed Water, Wastewater, and Recycled Water rates.

**Action:** The Board received the information concerning the matter, and through the Board President, scheduled a Special Board Meeting for Monday, October 19, 2015 at 6:00 PM to review the development of the District's proposed Water, Wastewater and Recycled Water Rate Structure.

**ADDITIONAL DIRECTORS' COMMENTS**

There were no additional Directors' comments received.

**ADDITIONAL GENERAL MANAGER COMMENTS**

Mr. Ruiz had no additional comments.

**END ACTION CALENDAR**

**ADJOURNMENT**

President Dopudja adjourned the September 14, 2015, Special Board Meeting at 7:58 PM.