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**THE REGULAR MEETING
OF THE
BOARD OF DIRECTORS
TRABUCO CANYON WATER DISTRICT
APRIL 18, 2012**

The Regular Meeting of the Board of Directors of the Trabuco Canyon Water District (TCWD) was called to order by President Mandich at 7:00 p.m. at Trabuco Canyon Water District's office located at 32003 Dove Canyon Drive, Trabuco Canyon, California. Teresa Teichman, Secretary to the Board of Directors, recorded and transcribed the minutes thereof.

DIRECTORS PRESENT

Ed Mandich, President
Jim Haselton, Vice President
Glenn Acosta, Director
Mike Safranski, Director

DIRECTORS ABSENT

Matt Disston, Director

STAFF PRESENT

Don Chadd, General Manager
Hector Ruiz, District Engineer
Teresa Teichman, Secretary to the Board of Directors
Michael Perea, Special Projects Manager

LEGAL COUNSEL PRESENT

Robert Anslow, District General Legal Counsel

PUBLIC PRESENT

There were many members of the public present.

PLEDGE OF ALLEGIANCE

Director Safranski led the Board and staff in the pledge of allegiance.

VISITOR COMMENTS

There were no visitor comments.

1 **ORAL COMMUNICATION**

2 There were three members of the public who presented oral communication.

3 Mr. John Sefton requested information from the District as it relates to the dollar
4 amount District has and will incur in legal fees, meeting fees, transcriptionist fees, etcetera, for
5 “Mrs. Teichman’s hearing.” Mr. Sefton requested the dollar amount be presented to him as a
6 percentage, as it relates to the District’s General Fund.

7 Mr. Robert Anslow, District General Legal Counsel, advised Mr. Sefton the District will be
8 able to provide the requested information of costs from invoices from both General and Special
9 Legal Counsel on this matter.

10 Mr. Don Chadd, General Manager, requested Mr. Sefton reduce his request to writing.
11 Mr. Sefton asked the Board if the benefits provided to each of them, by the District, include
12 coverage for their dependents also. Vice President Haselton and President Mandich responded.

13 Mr. Sefton discussed the increases in his water bill from 1998 to current and provided
14 statistical comparisons of what he believes the same water cost would be as compared to rates
15 and charges from the Irvine Ranch Water District (IRWD).

16 Ms. Jan Madden addressed the Board and asked if the Directors have full time jobs that
17 provided benefits. President Mandich responded that Director Disston has no insurance
18 benefits. President Mandich commented that he has the opportunity to obtain insurance
19 through his employer, but at a considerable expense to himself. President Mandich referenced
20 that Vice President Haselton may be in need of District health insurance at this time.

21 Mr. Steve Dopudja addressed the Board and public relating to his perspective as to how
22 other water agencies raise customer rates. Mr. Dopudja commended this Board for taking the
23 responsibility to raise rates when it is required and asked that they continue to do so. Mr.
24 Dopudja stated he would prefer to pay a slight increase occasionally, versus a huge increase all
25 of a sudden.

26 John Sefton requested to speak again. President Mandich granted the request. Mr.
27 Sefton stood and asked Mr. Dopudja if he does work for the District. Mr. Dopudja replied he
28 has not.

DIRECTOR’S COMMENTS

Vice President Haselton thanked staff for their diligence this past month on matters.

1 Director Safranski referenced a recent article in The Orange County Register Watch Dog
2 relating to comments on water bills potentially doubling from rates in 2006. Mr. Safranski
3 complimented Staff for keeping District costs down. Mr. Safranski provided information from a
4 recent City of Rancho Santa Margarita (RSM) Council meeting relating to Director benefits. Mr.
5 Safranski relayed a scenario discussed at the RSM Council meeting relating to a Council member
6 hardship and potentially no benefits. Director Safranski commented on TCWD's Directors
7 stipends and stated the District has saved considerable money by not increasing the Director
8 stipends over the years. Director Safranski suggested Staff agendize director benefits for
discussion at the time of the next Regular Board meeting.

9 President Mandich stated staff would need more time to gather additional information.

10 Mr. Anslow recommended agendizing the matter for the Executive Committee.

11 Discussion occurred as to the date of the next Executive committee meeting which is scheduled
12 for June 4, 2012.

13 Director Acosta addressed the Public as to the question if part-time public officials
14 should get full-time benefits. Director Acosta shared his thoughts relating to how benefits may
15 have been established as an enticement, in prior years or decades. Director Acosta stated
16 during these recent tough economic times, he cannot ask rate payers to continue to fund this
17 cost. Director Acosta advised he would like all staff positions looked at for essentiality to the
18 District along with an analysis of operating costs and District expenses evaluated by an
19 independent third party. Director Acosta requested that Staff report back to the Board prior to
20 the budget planning meeting. Director Acosta referenced Vice President Haselton's personal
21 health condition and pre-existing status and suggested a transitional phasing out of Director
benefits such as a "sunset" clause.

22 Discussion ensued amongst the Board members relating to obtaining an independent
23 third party assessment versus relying on the General Manager's assessment of the needed
24 positions within the District. Director Safranski, President Mandich, and Vice President
25 Haselton stated they are comfortable with relying on the General Manager's assessment as he
26 knows the District better than an independent party would. Discussion was directed to Staff to
27 obtain a few quotes of what it may cost to have an independent assessment verses the
28 potential for found costs savings within the District. Mr. Chadd provided statistics on the

1 reduced number of employees currently employed by the District as compared to just a few
2 years ago. Mr. Chadd explained each department is scaled down as much as possible to allow
3 efficient functions to continue at times of reduced staffing for vacation and sick time.

4 **REPORT FROM THE GENERAL MANAGER**

5 Mr. Chadd advised Mr. John Schatz, General Manager of the Santa Margarita Water District has
6 announced his retirement.

7 **ITEMS TOO LATE TO BE AGENDIZED**

8 There were no items too late to be agendized.

9 **CONSENT CALENDAR**

10 President Mandich announced that all matters under the Consent Calendar would be
11 approved by one motion unless a Board Member requests a separate action on a specific item.

12 **ACTION CALENDAR**

13 President Mandich stated that the General Manager and staff had reviewed all matters
14 under the Action Calendar prior to the Board's consideration.

15 **MOTION:** A motion was made by Director Acosta and seconded by Director
16 Safranski to approve the Consent Calendar, Item Nos. 1A through 1H.
17 The motion carried 4-0 with Director Disston absent.

18 **ADMINISTRATIVE MATTERS**

19 **ITEM NO. 11 DISCUSSION AND POSSIBLE ACTION REGARDING THE MATTER OF**
20 **PENDING VACANCY ON THE BOARD OF DIRECTORS**

21 Mr. Chadd advised Director Disston had submitted his resignation to the District,
22 effective May 2, 2012. Mr. Chadd provided details of the three options which are currently
23 available to fill the upcoming vacancy. Mr. Chadd advised the Board may appoint a successor;
24 may call for the election of a successor; or may take no action on the matter, in which case the
25 appointment power would be passed to the Orange County Board of Supervisors. Mr. Chadd
26 discussed the merits and cost associated with each of the options provided. Mr. Chadd
27 provided the questions which will be asked of potential candidates and suggested holding a
28 Special Board meeting if necessary to conduct applicant interviews.

Mr. Chadd recommended establishing an Ad Hoc committee to review applications and
make recommendation of either a selection of a candidate or interviews of candidate finalists.

1 Mr. Chadd discussed the necessary noticing which staff is required to do. Mr. Chadd advised the
2 Director vacancy information will also be posted on the District website.

3 **MOTION:** A motion was made by Director Acosta and seconded by Director
4 Safranski to move Staff recommendation. The motion carried 4-0 with
5 Director Disston absent.

6 Ms. Madden asked if she could address the Board again and asked for confirmation that
7 all information, as it relates to application for the Director vacancy, is posted on the website.

8 Mr. Chadd clarified it will be posted on the website at the appropriate time, after May 2, 2012.

9 Ms. Madden addressed the Board with questions as it relates to the current Board of
10 Directors length of term together on this Board along with her belief that no Director lives
11 down in the Canyon.

12 Director Acosta offered that he lives in the Dove Canyon Community and has been a
13 Board Member for the last eight years.

14 Discussion occurred amongst the Board as to which two Directors may be available to
15 serve on the Director Candidacy Ad Hoc Committee. It was agreed President Mandich and Vice
16 President Haselton would serve on the Director Candidacy Ad Hoc committee.

17 **ITEM NO. 1J DISCUSSION AND POSSIBLE ACTION REGARDING THE TRANSITION OF
18 ACWA HEALTH BENEFITS AUTHORITY TO ACWA JOINT POWERS
19 AUTHORITY**

20 Mr. Chadd addressed the audience and explained an overview of what a Joint Powers
21 Insurance Authority (JPIA) is and the benefit of consolidating for economy of scale in services.

22 Mr. Michael Perea, Special Projects Manager, explained the logistics of the transition of
23 the ACWA Health Benefits Authority (HBS) into the ACWA/JPIA.

24 Mr. Perea discussed the necessity for the Board to ratify the action of the HBA Board of
25 Directors. Mr. Perea stated the HBA is requesting a Resolution from the District by May 31,
26 2012 in order to ensure no loss of coverage for TCWD employees.

27 Directors Acosta and Safranski spoke of positive experiences on JPIA Boards.

28 **MOTION:** A motion was made by Director Safranski and seconded by Director
Acosta to move staff recommendation. The motion carried 4-0 with
Director Disston absent.

1 **ITEM NO. 1K** **DISCUSSION AND POSSIBLE ACTION RELATING TO ACTIVITIES FOR**
2 **WATER AWARENESS MONTH**

3 Mr. Chadd advised TCWD has reserved two 24-passenger shuttles for the water and
4 wastewater tour of the District in recognition of Water Awareness Month. Mr. Chadd provided
5 an overview of what sites may be visited on each tour.

6 Ms. Madden again asked if she could speak. President Mandich granted the request.
7 Ms. Madden asked if there was any action taken or consideration given to the cost savings
8 suggestion by members of the Public at a recent Board meeting relating to the creating a virtual
9 District facility tour via You-Tube video. Ms. Madden stated a free to make You-Tube video
10 would be a permanent resource for customers and the District alike. Ms. Madden reiterated
11 the costs to accomplish this would be minimal.

12 President Mandich replied the Board had not taken any action in preparing a You-Tube
13 video. Vice President Haselton offered information relating to the District’s re-use of recycled
14 and reclaimed water as examples of cost savings specific to TCWD.

15 The Board received and filed the information. No action necessary.

16 **FINANCIAL MATTERS**

17 **ITEM NO. 1L** **DISCUSSION AND POSSIBLE ACTION RELATING TO TCWD BUDGET**
18 **DEVELOPMENT PROCESS**

19 Mr. Chadd stated he will be meeting with the District’s contract accountant and staff
20 over the next few weeks for the purposes of budget planning. Mr. Chadd advised that he had
21 four exhibits and a brief power point to review tonight and warned that some of the
22 information contained will be depressing.

23 Mr. Chadd pointed out the two new ceiling mounted projectors and the two new
24 screens the District had recently purchased and commended Mr. Perea and TCWD’s
25 maintenance staff for their work relating to the set up and installation of the equipment.

26 Mr. Chadd discussed the need to understand that TCWD is at the mercy of two huge
27 agencies and provided background on the purpose and functions of Metropolitan Water District
28 (MET) and Metropolitan Water District of Orange County (MWDOC). Mr. Chadd discussed
factors which have impacted the delivery of water to southern California.

1 Mr. Chadd discussed the concern that currently exists as it relates to the draw-down of
2 financial reserves by MET, the potential impact such decisions could have on California's
3 infrastructure, especially considering unknown events such as earthquakes. Mr. Chadd
4 reminded the Public that TCWD did elect to raise rates by a small percentage two years ago in
5 order to avoid this same scenario for the District.

6 Mr. Chadd discussed Exhibit 1, Water Rates and Charges by MET. Mr. Chadd reviewed
7 the tier 1 supply rate, the Delta supply surcharge, and explained MET's allocation formula
8 relating to the supply of water to TCWD. Mr. Chadd pointed out that District Management and
9 Operators track and monitor daily and monthly consumption so that the District does not go
10 over its allocation which would result in higher Tier 2 rates for the purchase of water. Mr.
11 Chadd pointed out the difference between what the water industries refers to 'ground
12 pumpers' versus 'importers' of water. Mr. Chadd discussed MWDOC's shifting of revenues to
13 fixed costs versus the variability of commodity.

14 Mr. Chadd advised that Mr. Perea, as Safety Officer for the District, has kept costs down
15 as it relates to worker's compensation claims and injuries. Mr. Chadd noted the District
16 receives a refund most years because this coverage is provided through a JPIA .

17 Mr. Chadd discussed the fuel costs and stated the District will make the assumption in
18 its budget that these costs will remain the same or higher for next year. Mr. Chadd discussed
19 the savings the District gleans from the practice of 'Time-of-Use' as it relates to electrical costs.
20 Mr. Chadd noted the solution to the current issue at San Onofre could greatly impact the cost
21 of electricity in the future. Mr. Chadd advised that the District does not factor in the water
22 produced by the District Wells Facilities because it is not a guaranteed or controlled outcome
23 but rather is dependent on the amount of annual rainfall in the area.

24 Mr. Chadd discussed the anticipated growth within the District and explained how that
25 impacts the Districts revenues by Developer buy-in charges.

26 Director Acosta stated that with the expenses that could be saved by the District in a
27 reorganization structure, many of the items discussed could be paid for. Mr. Acosta stated he
28 feels the analysis of District structure is necessary.

Mr. Chadd addressed the Board and recommended conducting a Special Board
Workshop on Saturday, May 19' 2012, at 8:00 am for the purpose of budget planning. Mr.

1 Chadd stated there will not be any surprises at the time of the Budget Workshop as he has
2 stated all information tonight.

3 Director Acosta asked for clarification of the timeline as it relates to budget adoption by
4 the Board. Mr. Chadd advised it is scheduled to be adopted at the time of the June Regular
5 Board meeting. Director Acosta requested a Staff recommendation to the Board by May.

6 Director Safranski commented that the General Manager and Staff have done a good
7 job in containing costs. Director Safranski noted if TCWD were a big district, he may see more
8 of a benefit in hiring a consultant for an analysis; however, based on the size of the District and
9 the current level of staffing, he trusts the ability of the General Manager and Staff to come
10 forward and advise what makes the most sense for this District.

11 Vice President Haselton suggested that the Board direct Staff to obtain a quote for the
12 analysis that Director Acosta is referring to.

13 Director Acosta pointed out that if the District can spend \$5,000 to save \$100,000 it is
14 worth the cost; however, if a quote comes back for a significantly larger amount, then maybe
15 staff can perform the analysis in-house. Director Acosta suggested a quote for a limited scope.
16 Discussion ensued among the Board relating to what scope to ask for in a quote.

17 Mr. Chadd provided statistics as it relates to the number of current employees of the
18 District, 20, as compared to when he first came on board at the District in 1994 there were 28
19 and a projection of that number possibly doubling as the District grew. Mr. Chadd reviewed the
20 limited number of staff in each department within the District and reminded everyone that
21 there are times when staff takes vacation and/or calls in sick, at which times there is only a bare
22 skeleton staff.

23 Director Safranski reiterated that sentiment and pointed out that this District is small in
24 size but very complex.

25 **MOTION:** A motion was made by Director Safranski and seconded by Vice President
26 Haselton to instruct Staff to arrange for a Special Board meeting on
27 Saturday, May 19th at 8:00 a.m. and to explore what a consultant may
28 charge but do not engage any services until such time the Board can
discuss again. The motion carried 4-0 with Director Disston absent.

1 Mr. Sefton asked to address the Board again. President Mandich granted the request.
2 Mr. Sefton addressed the Board as it relates to the monthly cost to Customers for the next 20
3 years for the construction of the Trabuco Creek Wells Facility. Mr. Sefton has only served to
4 raise his monthly bills by one-third. Mr. Sefton stated he has not realized any cost savings to
5 him personally and stated the benefit to customers is not apparent. Mr. Sefton recommended
6 to the Board, in the spirit of conservation, increasing rates for the actual water consumed
7 versus raising or creating meter fee based charges. Mr. Sefton stated his position relating to an
8 IRWD takeover of TCWD and feels the community would benefit with lower rates.

9 Director Acosta pointed out the value of a local source of water supply to the
10 community.

11 **ITEM NO. 1M STATUS UPDATE AND POSSIBLE ACTION RELATING TO AUDIT SERVICES**

12 Mr. Chadd stated the District has sent out Requests for Proposals (RFP's) to several
13 audit firms and information was reviewed at the time of the April 4, 2012 Finance/Audit
14 Committee meeting. Mr. Chadd stated all firms appear to be very well qualified to perform the
15 services required and staff recommends the District select Charles Fedak & Company.

16 **MOTION:** A motion was made by Director Safranski and seconded by Director
17 Acosta to move staff recommendation. The motion carried 4-0 with
18 Director Disston absent.

19 **ENGINEERING MATTERS**

20 **ITEM NO. 1N STATUS UPDATE RELATING TO THE BAKER REGIONAL WATER
21 TREATMENT FACILITY**

22 Mr. Hector Ruiz, District Engineer, reported he attended the Baker Regional Water
23 Treatment Facility Committee meeting on April 12, 2012. Mr. Ruiz provided a status update
24 relating to additional solids handling facilities. Mr. Ruiz advised he is currently reviewing the
25 construction costs estimates with staff and he anticipates reporting information to the Board at
26 the time of the May Regular Board meeting. Mr. Ruiz provided an updated timeline.

27 The Board received and filed the status update. No action required.
28

1 **ITEM NO. 10 STATUS UPDATE RELATING TO THE ALTERNATE RAW WATER**
2 **TRANSMISSION LINE (ARWTL) (16-inch Raw Water Transmission Line –**
3 **Serrano Creek Crossing Alternate Route – PW79)**

4 Mr. Ruiz stated he has received a formal letter from both FEMA and Cal-EMA relating to
5 request for additional information. Mr. Ruiz stated Tetra Tech is moving forward in providing
6 the response to the request. Mr. Ruiz advised there is a 60-day timeline, from April 9, 2012, to
7 provide the response to the requesting agencies. Mr. Ruiz stated he anticipates the task can be
8 completed within a 45-day timeframe.

9 President Mandich asked if the additional scope of work which the Board approved last
10 month, relating to Tetra Tech’s contract, incorporated all of the information requested by FEMA
11 and Cal-EMA. Mr. Ruiz stated it does. Mr. Ruiz discussed his recent site visit with geotechnical
12 consultants. Vice President Haselton requested that Mr. Ruiz explain the project to the Public.

13 Mr. Ruiz provided the project background and the specific damage which occurred as a
14 result of the December 2010 and January 2011 severe winter storms. Mr. Ruiz advised of the
15 potential costs to the District along with the potential reimbursement to the District by FEMA
16 and Cal-EMA.

17 The Board received and filed the information. No action required.

18 **ITEM NO. 1P STATUS REPORT AND POSSIBLE ACTION RELATING TO DOVE**
19 **RESERVOIR TO TRABUCO RESERVOIR INTER-TIE AND TRABUCO**
20 **HIGHLANDS PRESSURE REDUCING STATIONS PROJECTS**

21 Mr. Ruiz provided a status update and stated that the quality of the work is excellent.
22 Mr. Ruiz noted the welding process took longer than anticipated and is now complete. Mr. Ruiz
23 stated there have been no change orders to date on this project. Mr. Ruiz advised of a
24 potential change order related to any rain delays which could extend the timeline of the
25 project. Mr. Ruiz discussed the necessity to temporarily shut off water to a few homes located
26 on Brookseed Drive.

27 Discussion occurred as to the advanced noticing of those customers.

28 The Board received and filed the information. No action required.

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LEGISLATIVE MATTERS

**ITEM NO. 1Q DISCUSSION AND POSSIBLE ACTION RELATING TO LOCAL
GOVERNMENTAL AND LEGISLATIVE INFORMATIONAL MATTER(S)**

Mr. Chadd advised he and Director Safranski attended the South County General Managers meeting to review MWDOC's budget. Mr. Chadd explained to the Public that TCWD cannot influence MWDOC's Board directly because the seven Directors are elected by their communities. Mr. Chadd explained that only one of the seven Directors on MWDOC's Board represents TCWD's interest.

END ACTION CALENDAR

OTHER MATTERS

ADDITIONAL DIRECTORS' COMMENTS

There were no additional Director comments

ADDITIONAL GENERAL MANAGER COMMENTS

There were no additional General Manager comments.

ADJOURNMENT

President Mandich adjourned the April 18, 2012 Regular Board meeting at 8:50 p.m.

Respectfully Submitted,

Teresa Teichman
Secretary to the Board of Directors