

**THE SPECIAL BUDGET WORKSHOP
OF THE
BOARD OF DIRECTORS
TRABUCO CANYON WATER DISTRICT
MAY 21, 2012**

The Special Budget Workshop of the Board of Directors of the Trabuco Canyon Water District (TCWD) was called to order by President Mandich at 6:00 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

STAFF PRESENT

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

TCWD CONSULTANT PRESENT

Cindy Navaroli, Treasurer

PUBLIC PRESENT

There were no members of the public present

PLEDGE OF ALLEGIANCE

President Mandich led the Board and staff in the pledge of allegiance.

VISITOR COMMENTS

There were no visitor comments

ORAL COMMUNICATION

There were no oral comments

DIRECTOR'S COMMENTS

There were no Director comments

1 **REPORT FROM THE GENERAL MANAGER**

2 Mr. Don Chadd, General Manager, referenced an article in the Watch Dog section of the
3 Orange County Register regarding per capita costs by water district. Mr. Chadd stated that
4 TCWD falls in the middle of the high and low range of the spectrum.

5 Mr. Chadd advised the Board that information relating to Metropolitan Water District
6 (MET) and Metropolitan Water District of Orange County (MWDOC) proposed rates as of March
7 2012 is now available to view on each Director's iPad.

8
9 **ITEMS TOO LATE TO BE AGENDIZED**

10 There were no items too late to be agendized.

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12 **ACTION CALENDAR**

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

15
16 **1A) REVIEW OF TRABUCO CANYON WATER DISTRICT'S FISCAL YEAR 2012/2013 GENERAL**
17 **FUND BUDGET, CAPITAL IMPROVEMENT PROGRAM, AND DEBT SERVICE BUDGET**
18 **GUIDELINES**

19 Mr. Chadd presented a power point for the purposes of an overview of the proposed
20 budget. Information presented included TCWD budget assumptions, MET projected rates
21 through 2015 and the apparent shift in strategy within the water industry from relying on
22 commodity charges to focusing more on meter charges.

23 The Board and Staff discussed the possible option of displaying the MET/MWDOC pass
24 through fee as a line item amount on TCWD's monthly utility billings. Mr. Chadd stated that
25 Staff will bring this issue back to the Board at a later date.

26 Mr. Chadd stated the budget does not include any cost of living adjustment, only step
27 increases that are applicable. Mr. Chadd provided anticipated increases in health, dental, and
28 vision insurance for TCWD Staff and Board members. Mr. Chadd noted if the Director Health

1 Benefit Ad Hoc Committee recommends a reduction in Director benefits, Staff will incorporate
2 any adjustments at that time.

3 Mr. Chadd stated there were neither developer fees nor one-time payment of capacity
4 charges factored into the current draft budget. Discussion occurred relating to potential
5 developments within the District.

6 Ms. Cindy Navaroli, TCWD's contract Treasurer, presented the Summary Budget and
7 reviewed fiscal year 2011/2012 adopted budget, fiscal year 2011/2012 projected budget at
8 June 30, 2012, and a proposed budget for fiscal year 2012/2013. Ms. Navaroli advised the
9 Board the format and some of the categories will look different compared to previous years as
10 she has reformatted some of the information so that it better comports with TCWD's financial
11 statements and the State Controller's report.

12 Discussion occurred relating to depreciation. Ms. Navaroli stated depreciation has
13 increased due to the addition of the Trabuco Creek Wells Facility. Ms. Navaroli explained that
14 TCWD is not funding its depreciation and discussed the \$80,743 balance in the Budget
15 Summary for the fiscal year 2012/2013 proposed budget.

16 Ms. Navaroli reviewed TCWD revenues and expenses for fiscal year 2011/2012 adopted
17 budget, fiscal year 2011/2012 projected budget at June 30, 2012, and a proposed budget for
18 fiscal year 2012/2013. Ms. Navaroli advised revenues remain consistent with projections and
19 that operating expenses remain level. Ms. Navaroli pointed out the increase to the 2012/2013
20 draft budget in the Director election category due to the fact that two Director positions are up
21 for election during the 2012/2013 fiscal year. Ms. Navaroli stated liability and property
22 insurance will increased due to the completion of the Trabuco Creek Wells Facility. Ms.
23 Navaroli stated financial profession service, legal service, and staff salary categories are all
24 anticipated to reduce for the upcoming fiscal year.

25 Ms. Navaroli discussed specific line items within the fiscal year 2012/2013 draft budget
26 where there are significant increases as compared to fiscal year 2011/2012 adopted and
27 projected budgets. Ms. Navaroli provided explanation as it relates to significant increases to
28 Repair Stations/Reservoirs within category 330-Pumping and noted the increase is primarily
due to a Water Treatment Plant (WTP) project relating to Motor Control for Booster Pumps of
approximately \$20,000 from the Capital Improvement Program (CIP) budget in previous years.
Ms. Navaroli provided explanation as it relates to significant increases to Construction and

1 Maintenance Supplies within the category 340- Treatment, and noted the increase is primarily
2 due to a WTP Filter Rehabilitation project of approximately \$200,000 in the CIP budget in
3 previous years. Ms. Navaroli provided explanation as it relates to significant increases to
4 Professional Services within the category 350- Distribution and noted the increase is primarily
5 due to a Reservoir Cathodic Protection project of approximately \$10,000 in the CIP budget in
6 previous years. Ms. Navaroli provided explanation as it relates to significant increases to Repair
7 Stations/Reservoirs within the category 350- Distribution and noted the increase is primarily
8 due to a Reservoir Rehabilitation project of approximately \$75,000 in the CIP budget in
9 previous years. Ms. Navaroli provided explanation as it relates to significant increases to
10 Construction and Maintenance Supplies within category 420-Robinson Ranch – Wastewater
11 Treatment Plant (WWTP), and noted the increase is primarily due to a service road and dam
12 face overlay project of approximately \$70,000 and a Plano Lift Station Rehabilitation project of
approximately \$80,000, both were on the CIP budget in previous years.

13 Ms. Navaroli stated the negative \$374,000 will be funded through reserves. Director
14 Acosta questioned the long-term sustainability of reserve funds if borrowing from reserves and
15 not paying into it. Ms. Navaroli discussed the need for consistency between the District budget,
annual audits, and monthly financial reports.

16 Mr. Chadd discussed the fiscal year Capital Improvement Program draft budget and
17 advised the District does not do a 10-year plan but rather lists its capital projects on a priority
18 basis determined by necessity. The items are listed as A, B, or C, based on necessity and/or
19 category. Projects denoted with “A” indicate projects of an urgent or emergency nature and/or
20 a contractual obligation. Projects denoted with “B” indicate a project which would improve
21 operational efficiencies. Projects denoted with “C” indicate a project which would be an
22 operational improvement.

23 Discussion occurred relating to the classification of certain projects. The Board of
24 Directors stated they would like to see the WTP and Ridgeline Generator Projects moved from
category B to category A.

25 Mr. Hector Ruiz, District Engineer, discussed District contractual obligations with the
26 Santa Margarita Water District as it relates to paying for improvements to the Chiquita
27 Wastewater Plant.
28

1 Mr. Chadd discussed the Districts Debt Service Budget and advised that the District
2 contracts this service out to NBS Local Government Solutions (NBS). The Districts contracts with
3 NBS to calculate the Special Tax levies and to levy the taxes to the County of Orange secured
4 property tax roll. The annual debt service, including interest payments and repayments of the
5 principles for bonds sold, are paid from this budget. Each year tax rates are set at a level to
6 meet the debt service obligations. Mr. Chadd advised the Board of Directors that there is a
7 detailed breakdown of each Community Facility District (CFD) preliminary budget for fiscal year
8 2012/2013 included in the 2012/2013 Debt Service draft budget for their review and
9 information.

10 Discussion occurred between the Board and Staff as to which area each CFD represents
11 along with which CFD dropped off from last fiscal year's budget. The Director's requested more
12 detailed information from each of the CFD's for a better understanding of where each CFD is
13 currently at. Mr. Chadd advised the Directors it will be provided to them.

14 Ms. Navaroli discussed the projected July 1, 2012 Fund Allocations. Under Capital
15 Projects, Ms. Navaroli discussed items considered for a One-Time Capital Use/Debt Reduction
16 along with Staff notations for their usage and purpose.

17 Ms. Navaroli also discussed the Debt Service One Time Debt Reduction and the savings
18 to the District if certain fees are paid in advance. Ms. Navaroli advised that by prepaying PERS
19 expenses for the fiscal year the District would realize a savings of approximately \$13,000. Ms.
20 Navaroli also advised when the District joined CalPERS, prior years of service were at a cost of
21 7.5-percent. Ms. Navaroli stated the District pays approximately \$40,000 to \$50,000 a year
22 currently on interest and highly recommends the District pay this obligation down due to the
23 high rate of interest. Ms. Navaroli explained to the Board the liabilities owed to CalPERS to be
24 paid over the next 12 years. Ms. Navaroli explained the liability owed for retiree health
25 benefits for past service through the funding of OPEB obligations. Ms. Navaroli advised that
26 many agencies are setting up these funds in Trust accounts. Ms. Navaroli noted the District
27 currently pays on a Pay-Go plan which she advised will increase significantly within the next
28 ten-years. Discussion occurred relating to possible cost savings strategies for future funding of
these liabilities and obligations. Ms. Navaroli advised that GASB 45 does not require the liability
to be funded, just that it is put on the books. Ms. Navaroli noted that should the District

1 choose to set monies aside for future funding of this liability, it would make the District
2 financially stronger.

3 Discussion occurred regarding the consideration of a two-tiered OPEB benefit for
4 District Staff.

5 Mr. Chadd expressed his satisfaction with the 2012/2013 budget and complimented Ms.
6 Navaroli and the Districts Accounting Supervisor, Mrs. Karen Warner, for producing the best
7 budget he has seen during his term as General Manager of this District. Mr. Chadd asked each
8 Director if there were any questions or comments and asked if there is any further direction to
9 Staff at this time to further look into any information as it relates to the budget.

10 Each Director stated their agreement with Mr. Chadd as it relates to the quality of the
11 2012/2013 fiscal year draft budgets and commented on the presentation of information and
12 the clear understanding provided.

13 Director Safranski asked if it is known at this time what other neighboring water
14 agencies may be looking at as it relates to employee salary increases. Discussion occurred
15 amongst the Board of Directors and Staff relating to a 2% salary increase for all District Staff
16 and the importance of competitive salaries for the purpose of attracting and retaining qualified
17 staff.

18 Mr. Chadd recapped the items which the Directors had expressed further information
19 and/or details on; projected Southern California Edison electric rates, factoring into the budget
20 a 2-percent salary increase for all District Staff, and providing options relating to tiered
21 retirement benefits and paying down District liabilities and debt to be discussed in more detail
22 at the time of future Finance/Audit Committee and Board of Director meetings.

23 Discussion occurred relating to training the District has provided to employees and
24 consideration of a salary increase July 1, 2012, for the purpose of retaining the Districts
25 investment of a highly trained work force.

26 **Recommended Action:** Review FY 2012/2013 budgets, provide input to staff, and
27 agendize adoption of same for the June 20, 2012 Regular
28 Board Meeting.

The Board received and filed the information.

1 **END ACTION CALENDAR**

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3 **ADJOURNMENT**

4 President Mandich adjourned the May 21, 2012 Special Budget Workshop at 7:30 p.m.
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7 Respectfully Submitted,
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11 Teresa Teichman
12 Secretary to the Board of Directors
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