

MINUTES OF THE SPECIAL MEETING
OF THE
BOARD OF DIRECTORS
OF THE
EL TORO WATER DISTRICT
April 30, 2015

President Goldman called the meeting of the Board of Directors of the ELTORO WATER DISTRICT to order at 7:30 o'clock a.m. on April 30, 2015 at the El Toro Water District Administrative Offices, 24251 Los Alisos Boulevard, Lake Forest, California.

Director Kahn led in the Pledge of Allegiance to the flag.

Directors M. SCOTT GOLDMAN, WILLIAM H. KAHN, FRED ADJARIAN, MARK MONIN, and JOSE F. VERGARA were present.

Also present were ROBERT R. HILL, General Manager/Secretary, MICHAEL P. GRANDY, Chief Financial Officer/Assistant Treasurer, DENNIS P. CAFFERTY, Director of Operations and Engineering, JUDY CIMORELL, Human Resources Manager, GILBERT J. GRANITO, General Counsel, and POLLY WELSCH, Recording Secretary.

Oral Communications - Public Comments

President Goldman stated that at this time members of the public may address the Board or they may reserve this opportunity with regards to an item on the agenda, until the Board discusses said item later in today's meeting.

Director Monin stated that he feels the proposed increases to Tier 3 & 4 are too large, and he feels the Board should review the budget for possible areas to cutback.

ETWD's Draft 2015/16 Budget/COS/Prop 218 Notice

Mr. Hill stated that staff requests to defer the Cost of Service Study discussion and the Prop 218 discussion. He further stated that General Counsel will discuss from a legal perspective why we should do this.

Mr. Granito reported that in view of the Appellate Court decision in the City of San Juan litigation, and in view of the State Drought Emergency and anticipated water usage cutbacks, it would be prudent to amend the District's Conservation Ordinance to address those concerns and adopt an Administrative Penalty that is not co-mingled with the District's Commodity Rate charges.

Mr. Granito reported that the customer bill will have a separate line item for penalties. President Goldman asked what happens in a few years if the emergency crisis is lifted. Mr. Granito replied that the penalty could then be removed.

Mr. Hill stated that if customers exceed their reduced budget, they will be charged a penalty. President Goldman asked if the penalty is a result of the drought factor, and the fact that the customer is going into Tier 3 & 4 sooner. Mr. Hill replied no, it will be a separate stand-alone penalty for violating the Ordinance. Mr. Grandy stated that if the customers exceed their Tier 1 & 2 budget, they will pay a penalty over and above Tiers 3 & 4, so if customers fall into the Tiered 3 rate they will pay the Tier 3 rate, plus an administrative penalty

that it's sole purpose is to encourage people from using more than their allotted water budget.

Vice President Kahn asked if the penalty will be based on what the State's penalty is. Mr. Grandy replied that the penalty is not tied to a specific cost, it is for violating the District's Ordinance. He further stated that the District is reducing customer's water budgets because the State is mandating the District to meet a goal.

Mr. Hill stated that MNWD has a similar penalty structure in place. He further stated that we are concerned about complying with Prop 218.

Mr. Grandy stated that the District must stay within Tiers 1 & 2 or could be fined \$10,000 a day if we receive a Cease and Desist.

President Goldman stated that he talked to Paul Cook and they are re-evaluating the way they structure their Tiers, as they were using some of the revenue money to lower the Tiers, but they are discontinuing this, and will be going strictly on cost and will not use high revenue to offset lower Tiers. Mr. Grandy stated that they are also adjusting their ET Drought Factor, and adding a penalty.

Director Monin asked if staff will be lowering Tier 1. Mr. Hill replied no, all Tiers are increasing by 10 cents.

Mr. Hill stated that staff may need to have a workshop with the Board to discuss the rate structure and how to remain in compliance, and how to reflect the penalty on the customer bill. Mr. Grandy stated that the District has a 9 month period which begins June 1, 2015.

President Goldman asked if staff could include in the customer's bill a statement that says that due to the State Mandate, we have adjusted the customer's water budget. Mr. Hill stated that staff is planning to put an explanation on the back of the bill.

Vice President Kahn asked that when customers exceed their bills, can we put in red that they have exceeded the budget by being in Tiers 3 & 4. Mr. Grandy stated that the printing house pre-prints the bills in black and white and is unsure if color can be added.

Mr. Hill stated that we have a rate structure that provides a mechanism for sending a pricing signal, and we adjust the drought factor indoor and outdoor.

President Goldman stated that he is ok with reducing the Drought Factor, reducing the Budget, and getting the word out to see how customers respond, and if after 3 months customers are not responding, and then we initiate a penalty. Mr. Grandy expressed concern of waiting too long to enforce a penalty because the opportunity to save outdoor irrigation is June, July, and August.

Director Monin stated that he has not seen a study on whether or not the agencies will be penalized. Mr. Hill stated that the Drought Study, which is part of the Cost of Service, address this.

Mr. Grandy stated that the June 9th Special Board meeting will be to amend and implement certain provisions of our Ordinance, which would adjust the Drought Factor and send out a pricing signal, adjust the Cost of Service, and finalize the Prop 218 Notice.

Vice President Kahn asked if staff would consider imposing a budget on Commercial customers as well. Mr. Grandy stated that staff will consider taking this step to develop a budget for Commercial customers instead of a uniform rate they are currently being charged. Mr. Hill stated that MNWD and IRWD have budgets for Commercial customers and they go back 3 years and take an average water use to determine a budget and on a go forward basis they adjust the budget.

President Goldman stated that currently we don't know what our compliance rate will be, so how do we develop a cost. Vice President Kahn asked why we can't factor in our trend data. Mr. Grandy replied that it could be considered.

Mr. Hill stated that the Cost of Service Study is close to completion. Vice President Kahn asked if the budget for Commercial would have an affect on all the rates. Mr. Grandy stated that it should not affect the rates.

Mr. Hill stated that a Special Board meeting is needed for the week of May 11th for further direction. The Board concurred that May 11th would be a Special Board meeting for further discussion on the Cost of Service, and Prop 218 compliance.

Mr. Cafferty stated that the months of July through February , we took 25% of the 2013 consumption in each month, and used 100% of the consumption from March through June, and this is the amount of water we expect to be able to purchase and remain in compliance.

Director Monin stated that regarding the Demo Garden, he doesn't feel it is logical at this time, and we need to show we are doing our part and get a good effect in a low cost way, or we postpone this project and do not water it.

President Goldman stated that we could use Tier 3 & 4 Revenue to put in drought tolerant plants instead of the turf. Mr. Hill replied that currently Tier 3 & 4 Revenue money is being put into the Recycled Water project and conservation programs.

Director Monin asked if we can hold off on upgrading vehicles. Mr. Cafferty replied that staff has deferred many projects and the only vehicles in the Capital project replacement program are part of the on-going replacement program.

President Goldman asked if the District is still sharing vehicles with our neighboring agencies. Mr. Cafferty replied that we are not part of an active exchange program, but we have shared employees and equipment on a part time basis in the past.

Mr. Hill passed out a 2015/16 Labor Budget worksheet. He further stated that this worksheet explains the \$182,000 salary increase, and the \$159,000 benefit increase.

Mr. Hill stated that the Merit pool is based on 4.3%, which is 3% merit pool and 1.3% based on the January CPI. He further stated that \$40,000 was added to adjust the Assistant General Manager's position from a part-time position back to a full-time position.

Mr. Hill stated that the On-Call position has also been adjusted. He further stated that Medical costs are increasing, and a 401(k) Plan reflecting a 1% increase to the mandatory contribution.

President Goldman stated that he is not in favor of the 1% increase to the 401(k) Plan. He asked the other Board members to comment.

Director Monin stated that he values the employees, but at this time he agrees not to change the contribution amount.

Director Vergara stated that he feels there is room in the budget to contribute the additional 1%, which could encourage employees to contribute more to the 401(k) Plan, and asked the Board members to consider this view.

Vice President Kahn stated that he feels that the salaries are competitive with the job knowledge of the employees, and he feels that since neighboring agencies are with PERS, is there any comparison that staff could make. Ms. Cimorell replied that the total average percentage contributed is 20%, which consists of a contribution of PERS and 401(k) Plans.

Mr. Hill asked what MNWD and South County agencies are contributing. Ms. Cimorell replied that MNWD has a percent of their PERS and also has a 457 Plan. She further stated that she reviewed benefit plans of ETWD, IRWD, Laguna Beach, Mesa, MNWD, OCWD, SCWD, SMWD, and SOCWA.

Vice President Kahn stated that he feels the District should not increase the contribution. Director Adjarian stated that he would like to see further analysis.

Vice President Kahn suggested that instead of adding another mandatory 1% percent, the District could contribute a match up to 75% of the employees contribution to help employees save for retirement. He further suggested that staff have an Employee meeting to remind them how to save for retirement.

Mr. Hill stated that staff will review this option and bring more information back to the Board. He further stated that staff will review the bid for the Demo Garden and see if there are areas where we can cut back on costs.

President Goldman asked if turf removal rebates are still available if customers let their lawns go brown. Mr. Hill stated that staff will check on this.

Mr. Hill stated that the Oso Sewer Lift Station also increased the budget. He further stated that staff anticipates approving the draft budget at the May 11th Special Board meeting.

Mr. Hill reviewed the proposed 2015/16 Modified Approval Timeline. He further stated that staff will continue working on the Cost of Service Study and Prop 218.

Mr. Hill stated that staff is looking for the Board to authorize staff to schedule a Public Hearing on June 9th to consider the Ordinance amendments, approve the Cost of Service Study, approve the Prop 218 Notice, authorize a Prop 218 Protest Hearing for July 30th, and authorize distribution of the Prop 218 Notice.

President Goldman asked for a Motion.

Motion: Director Monin made a Motion, seconded by Director Adjarian, and unanimously carried across the Board to authorize staff to schedule a Public

Hearing on June 9th to consider the Ordinance amendments, approve the Cost of Service Study, approve the Prop 218 Notice, authorize a Prop 218 Protest Hearing for July 30th, and authorize distribution of the Prop 218 Notice.

Roll Call Vote:

Director Adjarian	aye
Director Monin	aye
Director Vergara	aye
President Goldman	aye
Vice President Kahn	aye

Water Conservation & Water Supply Shortage Ordinance 2015-1 Implementation of Certain Drought Provisions

President Goldman stated that he attended the MWDOC Elected Officials Forum where they discussed the Governor's Executive Order. He further stated that most of the comments centered on the fact that the Governor does not expect agencies to be able to make the 25% or more cutbacks, but is encouraging a strong record of every effort towards meeting compliance.

President Goldman stated that after the Governor asked for voluntary 25% cutback, he received 8%, so this is why he is now coming back with a mandatory 25% cutback with no excuses.

There were no Motions made on item #2 of today's agenda.

Adjournment

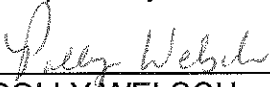
There being no further business to come before the Board, the following motion was duly made and passed.

Motion: Director Adjarian moved, seconded by Director Monin and
unanimously carried that today's meeting be hereby adjourned at 9:47 o'clock .

Roll Call Vote:

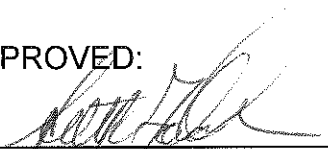
Director Vergara	aye
Vice President Kahn	aye
President Goldman	aye
Director Monin	aye
Director Adjarian	aye

Respectfully submitted,

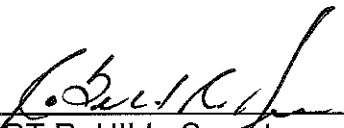


POLLY WELSCH
Recording Secretary

APPROVED:



M. SCOTT GOLDMAN, President of
the El Toro Water District and the
Board of Directors thereof



ROBERT R. HILL, Secretary
of the El Toro Water District and
the Board of Directors thereof