

MINUTES OF THE SPECIAL BOARD BUDGET MEETING  
OF THE  
BOARD OF DIRECTORS  
OF THE  
EL TORO WATER DISTRICT  
May 24, 2022

President Freshley called the Special meeting of the Board of Directors of the EL TORO WATER DISTRICT to order at 7:30 o'clock a.m. on May 24, 2022 at the El Toro Water District Administrative Offices, 24251 Los Alisos Boulevard, Lake Forest, California.

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

Directors KATHRYN FRESHLEY, KAY HAVENS, MARK MONIN, MIKE GASKINS, and JOSE VERGARA were present.

Also present were DENNIS P. CAFFERTY, General Manager/Assistant Secretary, JASON HAYDEN, CFO, JUDY CIMORELL, Human Resources Manager, SCOTT HOPKINS, Operations Superintendent, GILBERT J. GRANITO, General Counsel, MICHAEL G. COLANTUONO, Special Counsel, and POLLY WELSCH, Recording Secretary.

ORAL COMMUNICATIONS - PUBLIC COMMENTS

President Freshley 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.

There were no comments.

### Items Received Too Late to be Agendized

President Freshley asked if there were any items received too late to be agendized. Mr. Cafferty replied no.

### Review Minutes of the May 9, 2022 Budget Committee Meeting #2

Vice President Havens stated that the Budget Preparation process contained packets that were comprehensive, easy to analyze, with the data detail being quite granular. She further stated that this was one of our most challenging years given the Cost of Service Study, performance-based merit compensation pools, catch-up, and the 2022 Revenue Bond.

President Freshley asked for a Motion.

Motion: Vice President Havens made a Motion, seconded by Director Gaskins and unanimously carried across the Board to approve the May 9, 2022 Budget Committee #2 meeting minutes.

### Roll Call Vote:

Director Monin	abstain
Director Gaskins	aye
Director Vergara	aye
Vice President Havens	aye
President Freshley	aye

Motion passes 4-0.

### ETWD Draft 2022/23 Budget and Prop 218 Notice

Mr. Cafferty stated that the budget will show a draw-down on Reserves and a plan to replenish them over a period of time in a steady manner.

Mr. Hayden stated that development of the budget process includes review and scrutiny of current and projected expenses and revenue

requirements, consideration of established financial objectives and principles, and 2 in-depth meetings with the Budget Committee.

Mr. Hayden stated that financial objectives include Revenue cash flow to fund Operations and Capital Budgets as well as Debt Service requirements, reliable, stable, and predictable rate strategy, and cost containment strategies and practices to cost effectively maintain reliable service levels.

Mr. Hayden stated that planning principals will be the annual MWDOC/MET/Baker pass-thru, the annual Cost of Service evaluation and adjustments, the overall Annual Revenue increase capped at 5%, individual rate or charge increases capped at less than 10%, the prudent use of Reserves to minimize customer impacts, and maintenance of the required minimum debt coverage ratios.

Mr. Hayden reviewed the revenue plan, proposed revenue, proposed expenses, purchased water costs, and labor costs. He also reviewed the Capital Improvement Plan, 5-year cash flow, 10-year reserve projections, cost-of-service adjustments, commodity rate adjustments, rate components, and proposed water, recycled water, and sewer Capital Charges.

President Freshley asked why is the depreciation for the upcoming fiscal year lower than previous years. Mr. Hayden replied that the Budget for Depreciation in 2021/22 was too high and several capital assets have reached the end of their useful life and therefore depreciation expense is declining.

### Pause Discussion on Item #3, ETWD Draft 2022/23 Budget and Prop 218 Notice

Mr. Cafferty stated that at this time the Board will pause discussion on Item #3 in order to go into Closed Session with Special Counsel with regard to the matter reflected in today's agenda.

### Attorney Report

### Closed Session

At approximately 8:25 a.m. the Board went into Closed Session. Also at this time Mr. Michael Colantuono, Special Counsel joined the meeting via zoom, and Mr. Hopkins, Ms. Cimorell, and Ms. Welsch left the meeting.

### Open Session Report

At approximately 8:55 a.m. the Board returned to Regular Session. Also at this time, Mr. Colantuono left the meeting, and Ms. Cimorell, Mr. Hopkins, and Ms. Welsch returned to the meeting.

Mr. Granito reported that the Board did go into Closed Session as reflected on today's Closed Session agenda, and no reportable action was taken.

### Resume Discussion on Item #3, ETWD Draft 2022/23 Budget and Prop 218

### Notice

Mr. Hayden stated that recycled water charges current rate is \$2.80 per ccf with the revised rate of \$2.77 per ccf, and the proposed rate of \$2.86 per ccf being a 3.25% increase. He further provided a Single-Family Residential sensitivity, and an HOA and Cities sensitivity.

Mr. Hayden reviewed the proposed schedule and recommended action with the Board.



Mr. Cafferty pointed out on Attachment 8 of the package there is a Reserves Analysis that is a little more aggressive on rate increases that takes us closer to 5% every year that allows us to replenish those Reserves a little faster.

Vice President Havens stated under Potable Irrigation Customers mentioned “functional” vs. “non-functional” language.

Director Vergara thanked staff and management for preparing a well-done budget package. The other Board members concurred.

Mr. Cafferty stated that there would be a few minor modifications to the Proposition 218 notice before it would be mailed to customers.

President Freshley asked for a Motion.

Motion: Director Gaskins made a Motion, seconded by Director Monin and unanimously carried across the Board to approve the a) 2022/23 Proposition 218 Notice (with the General Manager’s proposed modifications) and authorize distribution of same in accordance with applicable public noticing requirements, and b) authorize noticing of a Public Rate Hearing to be scheduled for July 28, 2022.

Roll Call Vote:

Director Monin	aye
Director Gaskins	aye
Director Vergara	aye
Vice President Havens	aye
President Freshley	aye

President Freshley asked for a Motion to approve the 2022/23 Budget.

Motion: Director Vergara made a Motion, seconded by Director Gaskins and unanimously carried across the Board to approve the ETWD 2022/23 Operating Budget.

Roll Call Vote:

Director Monin	aye
Director Gaskins	aye
Director Vergara	aye
Vice President Havens	aye
President Freshley	aye

Resolution No. 22-5-1 Adopting Guidelines for the Submission and Tabulation of Protests in Connection with Rate Hearings Conducted Pursuant to Article IIID, Section 6 of the California Constitution

Mr. Cafferty stated that Special Counsel, General Counsel, and staff compiled a Resolution adopting guidelines for the submission and tabulation of protests in connection with rate hearings conducted pursuant to Article IIID, Section 6 of the California Constitution.

President Freshley asked for a Motion.

Motion: Director Gaskins made a Motion, seconded by Vice President Havens and unanimously carried across the Board to adopt Resolution No. 22-5-1 adopting guidelines for the submission and tabulation of protests in connection with rate hearings conducted pursuant to Article XIIID, Section 6 of the California Constitution.

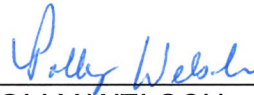
Roll Call Vote:

Director Monin	aye
Director Gaskins	aye
Director Vergara	aye
Vice President Havens	aye
President Freshley	aye

ADJOURNMENT

There being no further business to come before the Board, today's meeting was adjourned at 10:05 a.m.

Respectfully submitted,



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POLLY WELSCH  
Recording Secretary

APPROVED:



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KATHRYN FRESHLEY, President of  
the El Toro Water District and the  
Board of Directors thereof



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DENNIS P. CAFFERTY, Secretary  
of the El Toro Water District and  
the Board of Directors thereof

