

MINUTES OF THE SPECIAL MEETING
OF THE BOARD OF DIRECTORS
BOARD BUDGET WORKSHOP
EL TORO WATER DISTRICT

April 10, 2025

Vice President Freshley called the meeting of the Board Budget Workshop of the Board of Directors of the ELTORO WATER DISTRICT to order at 7:30 a.m.

Director Monin led the Pledge of Allegiance.

Directors MARK MONIN, MIKE GASKINS (7:49 a.m.), KATHRYN FRESHLEY, KAY HAVENS, and Wyatt McClean were present.

Also present were DENNIS P. CAFFERTY, General Manager, GILBERT J. GRANITO, General Counsel, VISHAV SHARMA, CFO, HANNAH FORD, Director of Engineering, JUDY CIMORELL, Director of Human Resources, SCOTT HOPKINS, Operations Superintendent, SHERRI SEITZ, Public Affairs Manager (Zoom), and MARISOL MELENDEZ, Recording Secretary.

Determination of a Quorum

Roll Call:	
Director McClean	Present
Director Havens	Present
Director Monin	Present
Vice President Freshley	Present

Four Board members are present at the meeting and therefore a quorum has been determined.

ORAL COMMUNICATIONS - PUBLIC COMMENT

There was no public.

El Toro Water District 2025-2026 Budget and Proposed Rate Increases

Mr. Cafferty expressed appreciation to staff for their collaborative efforts and acknowledged the contributions made by multiple departments. He explained that the budget and rate development process involves a thorough review of current and projected expenses and revenue needs. He further stated that the District has the responsibility to its ratepayers to fund and invest in the system to maintain reliable, efficient and cost-effective service.

Mr. Cafferty presented a summary of revenues and expenses, including assumptions for potable and recycled water sales.

Mr. Cafferty stated that the primary expenses are purchased water, and labor and benefits. He noted that depreciation and interest expenses do not affect customer rates. The total proposed expenses, excluding interest, capitalized labor, and depreciation, are approximately \$30.7 million. The increase is primarily driven by higher costs for purchased water, labor, and electricity.

Mr. Cafferty explained that the labor budget aligns with the District's policy, incorporating a 3% merit increase and a 3.2% CPI increase based on a twelve-month average through January. This results in a 6.2% compensation pool to be allocated based on performance evaluations.

Mr. Cafferty noted that the debt coverage ratio is a key factor in the District's credit rating. Mr. Sharma added that the District has made significant progress in recent years.

Mr. Cafferty mentioned the potential need for financing due to a recent failure in Reach A of the Effluent Transmission Main (ETM), which is owned by IRWD. Given the District's partial ownership of the downstream Reaches of the ETM and the

presence of Techite pipe, a pipe replacement project may be necessary. The project is expected to require financing, and staff have already initiated discussions with IRWD about potential action.

Mr. Cafferty stated that the Capital Improvement Plan budget is developed by balancing competing priorities, aiming to manage essential investments within available resources, including accumulated funds and projected capital revenue.

Ms. Ford stated that the largest capital project for the upcoming fiscal year is the Headworks Secondary Clarifier No. 1 Rehabilitation, with total estimated costs of \$12 million, a portion of which will be budgeted the following fiscal year. Another key project is the R-6 Reservoir Slope Stabilization Project. She also noted that several smaller projects are included in the budget, many of which are expected to result in long-term cost savings. Staff continues to actively pursue potential funding sources to help offset project costs.

Mr. Cafferty explained that the proposed revenue commodity rate adjustments are based on the MWD adopted budget, and amount to a \$0.33 increase in the water supply component of the water commodity rate. Proposed water O&M rates are increasing by 12.9%, while private fire O&M rates are proposed to increase by 5-10.5%. Sewer O&M rates will increase by 3.4%, keeping faith with the Consumer Price Index as outlined in the multi-year Proposition 218 Notice. Proposed capital charges for both water and sewer are also consistent with the multi-year Notice.

Mr. Cafferty stated that the draft Proposition 218 Notice, has undergone legal review. The draft announces a Public Hearing scheduled for June 16, 2025, allowing time to consider any substantive protests or objections. It also advertises upcoming community informational meetings. Two minor revisions will be made: updating the

recycled water usage rate increase from \$0.31 to \$0.32, and removing the underline from the word “before” on the final page. The last paragraph now includes newly required language regarding procedures for challenging the District’s rates, fees, and charges.

Mr. Cafferty stated that the capital projected cash flow is a separate revenue stream that includes debt service funded through the District’s regular capital program. He noted that the previously accumulated capital funds, intended to support capital projects, are expected to be spent over the next four years, which will affect the analysis of the days of cash on hand. He added that projected cost increases influence the rate adjustments needed to sustain both O&M and Capital funding.

Mr. Cafferty presented the ten-year recycled water cash flow and reserve analysis. He noted that recent conservation efforts by the District’s largest customer, combined with significant wet weather, have impacted recycled water sales revenue. Projected recycled water sales for FY 2024-25 are 1,450 AF. He added that by FY 3030-31, recycled water reserves are expected to show a surplus following the payoff of the first loan.

Mr. Cafferty reviewed the ten-year projected reserves and emphasized the importance of “days of cash” on hand for operating expenses, noting that this metric is a key factor for rating agencies.

Mr. Cafferty stated that the Cost of Service Rate study has been thoroughly reviewed by Legal Counsel and is essential for protecting the District against potential litigation to the best of its ability.

President Gaskins asked for Motion.

Motion: Director Monin made a Motion, seconded by Director McClean to 1) approve the 2025-2026 Fiscal Year Operating & Capital Budget 2) approve the 2025 Water and Recycled Water Rate Update Report 3) approve and authorize the distribution of the Proposition 218 Notice with two minor changes 4) authorize noticing of a Public Hearing to be scheduled for June 16, 2025 to consider taking action on the proposed rate increases.

Roll Call Vote:

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

Minutes of the March 25, 2025 Budget Committee #2 Meeting

President Gaskins asked for a Motion.

Motion: Director Havens made a Motion, seconded by President Gaskins to approve the minutes of the March 25, 2025 Budget Committee #2 Meeting.

Roll Call Vote

Director Havens	aye
President Gaskins	aye

New Solids Hauling Trailer

Ms. Ford stated that the current solids hauling trailer, used to transports solids to SOCWA, is over 30 years old and has exceeded its useful life.

President Gaskins asked for Motion.

Motion: Director Monin made a Motion, seconded by Director Havens to authorize the District's General Manager to issue a purchase order to Thompson Tank, Inc. in the amount of \$199,634.89 for a new solids hauling trailer and to

authorize the General Manager to fund the project costs from the District's Capital Reserves as recommended by staff in accordance with the District's adopted Capital Reserves Policy.

Roll Call Vote:

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

Ms. Ford left the meeting at approximately 10:11 a.m.

Resolution No. 25-4-1 Adopting Ordinance No. 2025-2

Mr. Cafferty stated that Resolution No. 25-4-1 adopts Ordinance No. 2025-2, which outlines the requirements and procedures of AB 2257 regarding the process by which customers may challenge the compliance of new District rates and charges.

President Gaskins asked for Motion.

Motion: Director Havens made a Motion, seconded by Director Monin to adopt Resolution No. 25-4-1 adopting Ordinance No. 2025-2.

Roll Call Vote:

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

ADJOURNMENT

There being no further business to come before the Board the meeting was adjourned at 10:13 a.m.

Respectfully submitted,



Marisol Melendez
Recording Secretary

APPROVED:



MIKE GASKINS, President of
the El Toro Water District and
the Board of Directors thereof



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