



MEETING HANDOUT

Meeting: Board of Directors Meeting

Date: April 21, 2017

Item: 3.1 February 4, 2017 Special Board Meeting Minutes

Minutes provided under separate cover and posted online as Meeting Handout #1.

Emailed to the Board of Directors on April 18, 2017.

Santa Margarita Water District Special Board Meeting Minutes

Meeting attendees:	President Charles T. Gibson Vice-President Justin McCusker Director Betty H. Olson Director Saundra F. Jacobs Director Charley Wilson Dan Ferons General Manager/SMWD Don Bunts Deputy General Manager/SMWD Tricia Butler Chief Engineer/SMWD Jim Leach External Affairs Manager/SMWD Nicole Stanfield Public Information Manager/SMWD Rich Kisse Operations Manager/SMWD Dustin Navarro Information Technology Manager/SMWD Daniel Peterson Operation Business Manager/SMWD Kelly Radvansky Board Secretary/SMWD Gary Morishita Analyst/SMWD Erica Castillo Controller/SMWD Beth Geldert Customer Relations Manager/SMWD Scott Smith General Counsel/Best Best & Krieger Roy Wolfe Consultant/SMWD Peter Whittingham Curt Pringle and Associates Brian Thomas PFM John Schatz Former General Manager/SMWD Megan Yoo Schneider Board Member/MWDOC Kelly Rowe Watershed, Water Resources & Environment Management Consultant		
Date:	February 4, 2017		
Time:	8:00 AM		
Agenda Items	Board Action:	Follow-up:	Staff Responsible:
Agenda Item 1. Pledge of Allegiance			
Agenda Item 2. Public Forum <i>There were no requests to speak.</i>			

Agenda Item 3.1

Update on SMWD Fiscal 2016-17 Strategic Plan

General Manager, Dan Ferons reviewed the District's current strategic goals, noting the purpose of this meeting is to identify any changed conditions that may warrant course corrections for the District's goals. Mr. Ferons reviewed the District's total potable GPCD and the State's proposed standard, the District's FY2017 budget, CIP, Capital Funding Program and District funding, rate increases, bond fund options, and customer surveys covering rates and charges, and focus groups.

The meeting recessed at 9:23am, and reconvened at 9:33am.

President Gibson suggested a consistent financial template to evaluate projects, and engaged the Board in a conversation about local independence. Director Wilson noted the answer of being independent, interdependent, or dependent, for him is based on what the District's customers see as value. Director Wilson also noted although the District's portfolio is well laid out, it may have some tweaks based on condition changes, and all are subject to change.

Vice-President McCusker agreed with Director Wilson, and added that the District should double down on an effective way of how we've piecemealed bringing ideas and projects through, so we can evaluate decisions in points of time, mitigate, and build off-ramps if necessary. Director McCusker expressed concern about the State's view on conversions and local reliability.

Providing a specific example of an off-ramp Mr. Ferons noted the three phases of the San Juan Watershed project, and a potential change could be that recycled water that was going to be put into the basin could be used for drinking water; picking a path that makes the most sense at that time.

Mr. Ferons confirmed the reaffirmation of the District's strategic goals:

- 1. 10,000-14,000 AF of MWD alternative water supply by 2030; with the caveat:
 - Of the 50% alternative water supply by 2030, 30% to be local south Orange County water supply.*
 - 50% of alternative water supply by 2030 is open for future discussion, and off-ramps in the best interest of the District will be considered.**

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2. Six months of storage by 2030.
3. Recycle 100% of its wastewater by 2019.

Mr. Ferons clarified the direction the District is seeking is for an approximate three-year window.

President Gibson recessed the meeting at 10:58 a.m., and reconvened at 11:08 a.m.

Mr. Ferons noted the following as priority projects for 2017:

1. Cadiz Project – Construction is anticipated in the second quarter of 2018.
2. Direct Potable Reuse – Tied to the Trampas Reservoir project and is anticipated for 2020.
3. San Juan Watershed Project – Construction is anticipated for early 2018.

Other alternative projects noted:

Poseidon Desalination

Phase 2 of the San Juan Watershed Project

OCWD storage and supply

President Gibson requested staff to bring back an estimate for outreach and research budgets. Director Olson stated the need for a research budget for direct potable reuse. President Gibson also commented that he'd like to see a systematic way of going after support for what the District is doing.

Mr. Ferons asked the Board if there are any don't's regarding the financial options related to projects.

Director Wilson responded that if you have the acceptance and we are articulating the value proposition we provide, they will accept the financial mechanism.

Director Wilson stepped out of the meeting at 11:39 a.m.

Director Jacobs said that there was no financial option that is off the table.

Director Olson said that the District should look at all financing. Director McCusker agreed with Director Olson's response.

Director Gibson expressed concern about the District's bond rating.

Mr. Ferons noted early indications of the District's current bond refinancing are that the District will affirm the current rating.

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<p><i>President Gibson asked Brian Thomas, PFM, for his input on evaluating the District's projects financially.</i></p> <p><i>Mr. Thomas responded, that he believes staff will come back to the Board with information on projects and a rate increase or charge necessary to maintain the bond rating.</i></p>			
<p><i>President Gibson adjourned the meeting at 11:42 a.m.</i></p>			