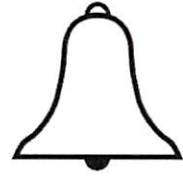


Santa Margarita Water District

MEMORANDUM



REVISION

Agenda Item 3.1

Consideration and Action on the June 3, 2015 Board Meeting Minutes

Revision: Attached and provided in redline. (The original draft is on page 8 of the Board package.)

<p><i>for future change orders based on unknown conditions underground. Director Wilson suggested contacting OC Public Works regarding street work.</i></p> <p>Motion: Award contract to L & S Construction, Inc. (L&S Construction) in an amount not to exceed \$2,681,407.20.</p>			
<p>Agenda Item 4.4 Consideration and Action on Operating and Non-Operating Expenses 2016 Budget</p> <p><i>Chief Financial Officer, Nancy Trujillo reviewed the budget approval process. Ms. Trujillo noted at the suggestion of Director Wilson the initial 2015/16 expenses were reduced, and the District was able to save \$4 million by cost reductions, the biggest coming from purchased assets, and a \$1.5 million deferral of pension reserves. After water conservation initiatives, the total net savings compared to the previous budget draft is approximately \$1.2 million, which brings the net operating cash flow deficit to \$3.9 million, which is at the same level as the Raftelis rate study deficit of \$4.0 million, funding and revenues movement for capital funding the total net savings is approximately \$1.2 million, which is the same level as presented by Raftelis during the Rate Study. The District remains at a \$4 million loss, as it and will take approximately three years for the rates to cover fixed expenses. Ms. Trujillo noted separate costs for water, wastewater, and recycled water expenses and revenues per the Prop. 218 requirement and the fixed vs. commodity revenues and expenses providing greater visibility to how well the District is covering the individual expenses. Ms. Trujillo noted a total net increase for power costs. Mr. Ferons noted the solar panels are helping with power cost, however, the District is still paying for the purchase of the panels. In response to Director Olson's question regarding cost savings at Chiquita Water Reclamation Plant (CWRP) attributed to the solar panels, Mr. Bunts said that he would follow-up with the projection. Ms. Trujillo noted the budget for salaries increased due to eleven positions for 2016, merit and cost of living increases; professional services increased in operations and engineering related to groundwater projects. Ms. Trujillo noted a \$2.4 million increase in operating expenses and a \$2 million decrease in non-operating expenses compared to the current year, and explained the \$4 million dollar loss. Ms. Trujillo noted the \$4.2 million rate stabilization fund was originally approved with \$3 million applied to wastewater, and \$1.2 million</i></p>	<p>Director Gibson moved; Director Jacobs seconded; unanimously approved.</p>	<p>Power cost savings at CWRP attributed to solar panels.</p>	<p>Don Bunts</p>

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