

**AGENDA**  
**SANTA MARGARITA WATER DISTRICT**  
**FINANCE AND ADMINISTRATION COMMITTEE MEETING**  
**October 27, 2015**

**CALL TO ORDER:** 8:00 a.m., Conference Room, District Office  
26111 Antonio Parkway, Rancho Santa Margarita, California

**COMMITTEE CHAIR:** Charles T. Gibson  
**COMMITTEE MEMBER:** Betty H. Olson

**1. PUBLIC FORUM**

*Persons wishing to address the Board of Directors on matters not listed on the Agenda may do so at this time. "Request To Be Heard" forms are available at the entrance to the Board Room. Comments are limited to three minutes, unless further time is granted by the Presiding Officer. Please submit the form to the Recording Secretary or Committee Chair prior to the beginning of the meeting.*

*Those wishing to address the Board of Directors on any item listed on the Agenda should submit a "Request To Be Heard" form to the Recording Secretary or Committee Chair before the Presiding Officer announces that agenda item. Your name will be called to speak at that time.*

**2. ACTION ITEMS**

2.1 Consideration and Action to Establish November FA Committee Dates  
and Times .....**Page 3**

**3. DISCUSSION ITEMS**

3.1 Presentation and Discussion on District Construction Change Orders .....**Page 4**

3.2 Board of Directors Computer Tablet Requirements and Training  
Schedule .....**Page 5**

President, Betty H. Olson  
Vice President, Charley Wilson  
Finance Committee Chair, Charles T. Gibson  
Engineering Committee Chair, Justin McCusker  
Director, Sandra F. Jacobs  
General Manager, Daniel R. Feron

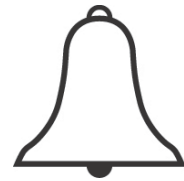
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| <b>4. INFORMATION ITEMS</b> |
|-----------------------------|

|     |   |                |
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| 4.1 | Long Range Financial Plan .....   | <b>Page 6</b>  |
| 4.2 | August Financials .....   | <b>Page 9</b>  |
| 4.3 | Presentation of Draft Audited Financial Statements .....  | <b>Page 10</b> |
| 4.4 | Update on District’s Filing of Mandatory State Controller Financial Reports .....                                   | <b>Page 11</b> |
| 4.5 | Scheduling of Future Agenda Items and Re-Cap of October 20, 2015 Finance and Administration Committee Meeting ..... | <b>Page 12</b> |

**ITEMS DISTRIBUTED TO THE BOARD LESS THAN 72 HOURS PRIOR TO MEETING**

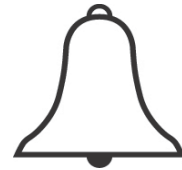
Pursuant to Government Code section 54957.5, non-exempt public records that relate to open session agenda items and are distributed to a majority of the Board less than seventy-two (72) hours prior to the meeting will be available for public inspection in the lobby of the District’s business office located at 26111 Antonio Parkway, Rancho Santa Margarita, California 92688, during regular business hours. When practical, these public records will also be made available on the District’s Internet Web Site, accessible at <http://www.smwd.com>.

*Upon request, this agenda will be made available in appropriate alternative formats to persons with disabilities, as required by Section 202 of the Americans with Disabilities Act of 1990. Any person with a disability who requires a modification or accommodation in order to participate in a meeting should direct such request to Kelly Radvansky Secretary, Board of Directors, at (949) 459-6642 at least 48 hours before the meeting if possible.*



**Agenda Item 2.1 Consideration and Action to Establish  
November FA Committee Dates and Times**

Supporting documentation for this item will be provided under separate cover.



## MEMORANDUM

**TO:** Finance and Administration Committee

**DATE:** October 27, 2015

**FROM:** Don Bunts

**SUBJECT:** Presentation and Discussion on District Construction Change Orders

### SUMMARY

**Issue:** The District is involved with many capital projects that involve the use of outside construction contractors to either design or construct the facilities. Some of the project efforts experience the need to modify or change the contracts during the course of the work being completed. As part of the District's fiduciary responsibility to its rate payers, the Board of Directors is interested in reviewing the method that change orders are addressed and possibly developing a District Policy related to change orders.

### DISCUSSION:

It is intended that a discussion will be held related to developing a clear understanding of the nature of change orders and the possibility of instituting a policy for staff to follow in pursuing change orders as the District moves forward. Topics that will be discussed will include:

- I. Recent District history related to change orders
- II. Types of Change Orders
  - a. District requested
    - i. Additional Work/Value Added
  - b. Contractor initiated
    - i. Differing conditions
      1. Underground construction
      2. Unseen conditions
      3. As a result of performing original contract work
    - ii. Contract discrepancies
      1. Plans and specs not coordinated
      2. Error and/or omission
- III. Industry standards for change orders
  - a. Calculating methodology
  - b. Percentage basis
    - i. New construction
    - ii. Rehab work
    - iii. New work at existing facility

# Santa Margarita Water District



## MEMORANDUM

**TO:** Finance and Administration Committee      **DATE:** October 27, 2015  
**FROM:** Dustin Navarro, IT Manager  
**SUBJECT:** Board of Directors Computer Tablet Requirements and Training Schedule

### SUMMARY

**Issue:** Discussion with the Finance and Administration Committee on upcoming Board technology and training requirements.

**Recommendation:** None; Information Item

**Fiscal Impact:** No fiscal impact at this time.

**Previous Related Actions:** None.

### DISCUSSION

After discussion with management, a recommendation was approved to upgrade the Board Director tablets to Microsoft Surface based devices. Three Directors have agreed to the upgrade, while two Directors may be upgraded at a later date.

Information Technology is working to schedule the rollout of the first upgrade with Director Gibson for October 27th. Director Jacobs and Director Olson's upgrades will be scheduled in early November. This allows a period of validation with Director Gibson for any additional configuration requirements.

During each scheduled rollout, IT will provide training on the following:

- ***Navigation within the latest Windows Operating System***
- ***Microsoft Office 365: Features and Benefits***
- ***SharePoint: Board Director Portal***

During each training session IT will also transfer documents from the old tablet to the new Surface device. IT expects each training session to last about one hour.

The IT Manager will be happy to answer any questions or comments on this technology upgrade.

# Santa Margarita Water District



## MEMORANDUM

**TO:** Finance and Administration Committee      **DATE:** October 27, 2015  
**FROM:** Nancy Trujillo  
**SUBJECT:** Long Range Financial Plan

### SUMMARY

**Issue:** The District is preparing a 25 year Long Range Financial Plan that will generate a roadmap for forecasted cashflows. This Long Range Financial Plan will include establishing long range District strategic goals, water demands & sources, expenses, capital and funding sources, revenues, and target reserve requirements.

**Recommendation:** The Finance and Administration Committee to provide staff additional direction on the District's strategic goals, and water sources and uses.

**Fiscal Impact:** The Long Range Financial Plan will establish fiscal goals and policies for the next 25 years.

### DISCUSSION

#### Strategic Goals

The Board met on June 13, 2016 to discuss the District's strategic goals and priorities. The following goals were identified and approved by the Board and needs further discussion to complete the Long Range Financial Plan.

1. The District will develop 10,000-14,000 AF of locally controlled water.
2. The District will develop 14,000 AF of locally controlled storage.
3. The District will recycle 100% of its wastewater.
4. The District will set a goal of 120 GPCD by 2025.

The Board also ranked the following water source projects:

|           |                                 |                           |
|-----------|---------------------------------|---------------------------|
| <b>1A</b> | San Juan Basin                  | Regional Cooperation      |
| <b>1a</b> | Recycled Water                  | Funding and Construction  |
| <b>1B</b> | Cucamonga Valley Water District | Allocation and Agreements |
| <b>1B</b> | Chino Basin                     | Allocation and Agreements |
| <b>1B</b> | Cadiz/Fenner Valley             | Allocation and Agreements |
| <b>1C</b> | OCWD Storage                    | Legal                     |
| <b>1C</b> | Poseidon                        | Regulatory                |

**Water Demands**

The District has contracted with **M.Cubed** and **PFM** to provide forecasted long range water demands and MWD water rates.

M.Cubed, an outside consultant, is performing an Econometric Water Demand Study for The District. The purpose is to provide The District with forecasting models of different economic factors in its projections for water demand. The independent variables to be used in the forecast model include weather, a seasonal components, water price, demographic variables, land use/spatial variables, variables to track economic cycles, and an error component. Multiple demand scenarios reflecting different assumptions for use in the water planning process will also be a component of the models, reflecting key demand drivers for specific forecast periods. The models are statistically based for its service area and the goal is to have the new models and forecasting tools completed for use in the 2015 Urban Water Management Plan.

The M.Cubed proposed timeline is as follows:

- |  |            |   |            |
|--|------------|---|------------|
| 1. Data collection                       | 9/1/2015   | - | 11/30/2015 |
| 2. Predictive Demand Model Specification | 9/1/2015   | - | 10/1/2015  |
| 3. Test and Calibrate Models             | 10/19/2015 | - | 11/6/2015  |
| 4. Long-Term Demand Forecast Development | 10/19/2015 | - | 11/13/2015 |
| 5. Demand Scenario Development           | 11/9/2015  | - | 11/20/2015 |
| 6. Demand Model Documentation and Report | 11/1/2015  | - | 11/30/2015 |

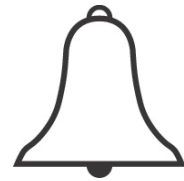
Update conference call with M.Cubed scheduled for Monday October 26, 2015.

Public Financial Management, Inc (PFM), an outside financial advisor for the District, will prepare alternative rate and charge forecasts for the cost of Metropolitan Water District (MWD) water supplies. The forecast will be for a period of 25 years, and based on current MWD costs and estimates of future investment needs. The models will provide estimates for MWD treated and untreated rates and charges based on available MWD cost of service data, budget, and long-range financial reports. Three cost allocation scenarios will include a base case, fixed charges scenario, and take-or-pay commitments scenario. PFM will provide the District with a copy of the spreadsheet model, as well as training to enable any updates necessary with the forecasts.

The PFM proposed timeline is as follows:

1. Draft Report available for staff review by October 28, 2015.
2. Final Report November 15, 2015.





**Agenda Item 4.2 August Financials**

Supporting documentation for this item will be provided under separate cover.



**Agenda Item 4.3 Presentation of Draft Audited Financial Statements**

Supporting documentation for this item will be provided under separate cover.

# Santa Margarita Water District



## MEMORANDUM

**TO:** Finance and Administration Committee      **DATE:** October 27, 2015  
**FROM:** Nancy Trujillo  
**SUBJECT:** Update on District's Filing of Mandatory State Controller Financial Reports

### SUMMARY

**Issue:** Each year the California State Controller requires special districts to file a Financial Transaction Report per Government Code (GC) Section 53891. The financial reports, are due no later than 110 days after the June 30 year end.

**Recommendation:** Information Update Only.

**Fiscal Impact:** None.

### DISCUSSION

The California State Controller required the following items to be filed by October 19, 2015:

- Financial Transactions Report
- U.S. Bureau of Census Survey Form
- Government Compensation in California (GCC) Report (if applicable)

All applicable reports were filed by the due date for the following entities:

- Santa Margarita Water District (Preliminary)
- San Juan Basin Authority (Final)
- Fenner Valley Water Authority (Final)
- Santa Margarita/Dana Point Authority (Preliminary)

The State allows preliminary financial reports if they are not finalized, with the ability to resubmit changes once the audit report is finalized. The SMWD and SMWD/DPA audit reports have not been finalized and the information will be resubmitted to the State at that time.

# Santa Margarita Water District



## MEMORANDUM

**TO:** Finance and Administration Committee

**DATE:** October 27, 2015

**FROM:** Jennifer Wilt

**SUBJECT:** Scheduling of Future Agenda Items and Re-Cap of the October 20, 2015 Finance and Administration Committee Meeting

- **At the October 20<sup>th</sup> FA Committee meeting the following items were considered:**

| ITEM NO. | DESCRIPTION   | STATUS                                     |
|----------|---|--|
| 2.1      | Fiscal Year 2014/2015 Audit Update  | Information item only, no action required. |
| 2.2      | Finance Department Changes and Internal Controls Update   | Information item only; no action required. |
| 2.3      | Scheduling of Future Agenda Items and Re-Cap of September 24, 2015 Finance and Administration Committee Meeting | Information item only; no action required. |

- **The DRAFT chart below includes anticipated items for the next three months:**

|                              | FAC 1  | FAC 2   |
|------------------------------|--|---|
| <b>November Agenda Items</b> | <p style="text-align: center; color: red;">11/17 or 11/19</p> <p>1. Action: Draft CAFR/Final Audit Report</p>  | <p style="text-align: center; color: red;">11/24</p> <p>1. Information: Long Range Financial Plan - Expenses<br/>2. Information: October Financials</p> |
| <b>December Agenda Items</b> | <p style="text-align: center; color: red;">December Meeting Date TBD</p> <p>1. Action: Final CAFR<br/>2. Information: CFD Reporting</p>  | <p style="text-align: center; color: red;">December Meeting TBD</p> <p>1. Action: Pension Trust<br/>2. Information: November Financials</p>             |
| <b>January Agenda Items</b>  | <p style="text-align: center; color: red;">January Meeting Date TBD</p> <p>1. Action: Budget Assumptions &amp; Goals FY16/17<br/>2. Action: Long Range Financial Plan (Draft Presentation)</p> | <p>1. Action: Quarterly (December)<br/>2. Presentation by PFM - Quarterly Update Draft</p>  |