

FINANCE & INFORMATION TECHNOLOGY BOARD OF DIRECTORS' MEETING MOULTON NIGUEL WATER DISTRICT 27500 La Paz Road, Laguna Niguel June 15, 2016 8:30 AM

**Approximate Meeting Time: 3 Hours** 

### THIS BOARD MEETING WILL INCLUDE TELECONFERENCING AT THE FOLLOWING LOCATION: 12025 CEDAR SHORE ROAD, ELLISON BAY, WISCONSIN

- 1. CALL MEETING TO ORDER
- 2. APPROVE THE MINUTES OF THE MAY 18, 2016 FINANCE AND INFORMATION TECHNOLOGY BOARD OF DIRECTORS' MEETING
- 3. PUBLIC COMMENTS

Persons wishing to address the Board of Directors on matters <u>not listed</u> 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 five minutes unless further time is granted by the Presiding Officer. Submit form to the Recording Secretary prior to the beginning of the meeting.

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

### **DISCUSSION ITEMS**

- 4. Amendment No. 1 to Professional Services Agreement Michael Bell Management Consulting, Inc.
- 5. Amendment No. 5 to Professional Services Agreement Public Financial Management, Inc.
- 6. Selection of the Annual Lump Sum Prepayment Option for Unfunded Accrued Liability to CalPERS for Fiscal Year 2016-17
- 7. General Obligation Bond Tax Rates for Fiscal Year 2016-17
- 8. Annual Gann Appropriations Limit for Fiscal Year 2016-17
- 9. Adoption of Updated Capacity Fees

- 10. Board Per Diem
- 11. Fiscal Year 2016-17 Proposed Budget
- 12. Rebate Application for Turf Removal

### **INFORMATION ITEMS**

- 13. Monthly Financial Report
  - a. Summary of Financial Results
  - b. Budget Comparison Report
  - c. Statement of Net Position
  - d. Restricted Cash and Investments with Fiscal Agent
  - e. Net Position
  - f. Summary of Disbursements May 2016
- 14. Future Agenda Items (Any items added under this section are for discussion at future meetings only)
- 15. Late Items (Appropriate Findings to be Made)
  - a. Need to take immediate action; and
  - b. Need for action came to District's attention after Agenda Posting. [Requires 2/3 vote (5 members) or unanimous vote if less than 2/3 are present]

### **ADJOURNMENT**

The Board of Directors' Meeting Room is wheelchair accessible. If you require any special disability related accommodations (i.e., access to an amplified sound system, etc.), please contact the Moulton Niguel Water District Secretary's office at (949) 831-2500 at least forty-eight (48) hours prior to the scheduled meeting. This agenda can be obtained in alternate format upon written request to the Moulton Niguel Water District Secretary at least forty-eight (48) hours prior to the scheduled meeting.

Agenda exhibits and other writings that are disclosable public records distributed to all, or a majority of, the members of the Moulton Niguel Water District Board of Directors in connection with a matter subject to discussion or consideration at an open meeting of the Board of Directors are available for public inspection at the District Office, 27500 La Paz Road, Laguna Niguel, CA ("District Office"). If such writings are distributed to members of the Board less than seventy-two (72) hours prior to the meeting, they will be available in the reception area of the District Office at the same time as they are distributed except that, if such writings are distributed immediately prior to, or during the meeting, they will be available in the Board meeting room and on the District website at www.mnwd.com.



### DRAFT MINUTES OF THE REGULAR MEETING OF THE FINANCE & INFORMATION TECHNOLOGY BOARD OF DIRECTORS OF THE MOULTON NIGUEL WATER DISTRICT

### May 18, 2016

A Regular Meeting of the Finance & Information Technology Board of Directors of the Moulton Niguel Water District was held at the District offices, 27500 La Paz Road, Laguna Niguel, California, at 8:30 AM on May 18, 2016. There were present and participating:

### **DIRECTORS**

Duane Cave Director

Scott Colton Vice President

Richard Fiore Director
Donald Froelich President
Gary Kurtz Director
Larry Lizotte Director

Brian Probolsky Vice President/Chair (arrived at 9:11 a.m.)

Also present and participating were:

### STAFF MEMBERS, LEGAL COUNSEL, AND MEMBERS OF THE PUBLIC

Joone Lopez General Manager

Matt Collings Assistant General Manager

Marc Serna Director of Engineering & Operations

Gina Hillary Director of Human Resources

Paige Gulck Board Secretary
Tim Bonita Recording Secretary

Trevor Agrelius MNWD
Drew Atwater MNWD
Johnathan Cruz MNWD
Jane Nguyen MNWD
Carole Wayman-Piascik MNWD

Michael Bell Michael Bell Consulting, Inc. Jayson Schmidt Chandler Asset Management

### 1. CALL MEETING TO ORDER

The meeting was called to order by Richard Fiore at 8:30 a.m.

2. APPROVE THE MINUTES OF THE APRIL 20, 2016 FINANCE AND INFORMATION TECHNOLOGY BOARD OF DIRECTORS' MEETING

MOTION DULY MADE BY GARY KURTZ AND SECONDED BY DUANE CAVE, MINUTES OF THE APRIL 20, 2016 FINANCE AND INFORMATION TECHNOLOGY BOARD OF DIRECTORS' MEETING WERE APPROVED AS PRESENTED. THE VOTE WAS UNANIMOUS WITH DIRECTORS DUANE CAVE, SCOTT COLTON, RICHARD FIORE, DONALD FROELICH, GARY KURTZ, AND LARRY LIZOTTE ALL VOTING 'AYE'. DIRECTOR BRIAN PROBOLSKY WAS ABSENT.

### **3.** PUBLIC COMMENTS

None.

### **PRESENTATION ITEMS**

**4.** Quarterly Investment Report - Chandler Asset Management

Jayson Schmidt from Chandler Asset Management presented the Quarterly Investment Report. Key topics presented were account profile, portfolio holdings, and an economic update.

### **DISCUSSION ITEMS**

**8.** Rebate Application For Turf Removal

This item was taken next on the agenda. Drew Atwater presented the application. Staff recommends that the Board of Directors consider the rebate application for customer account #7-02084 without a limitation on the maximum allowable acreage for the project and direct staff accordingly. Discussion ensued regarding the rebate application.

### **INFORMATION ITEMS**

**9.** Monthly Financial Report

This item was taken next on the agenda. Trevor Agrelius presented the Monthly Financial Report.

Brian Probolsky arrived at 9:11 a.m.

### PRESENTATION ITEMS CONTINUED

**5.** Water Efficiency Fund Fiscal Year 2016-17 Proposed Budget

Drew Atwater presented the Water Efficiency Fund Fiscal Year 2016-17 Proposed Budget. Key topics presented were direct install programs, the Advanced Metering Infrastructure pilot program and the proposed rebate budget.

**6.** Capacity Fee Study Update

Johnathan Cruz presented the Capacity Fee Study Update. Key topics included policy goals, water and wastewater capacity fees, demand offset fee, use of funds collected, and next steps in the process.

### **DISCUSSION ITEMS CONTINUED**

7. Server Equipment Purchase for Fiscal Year 2015-16

Matt Collings presented the item. Staff recommends that the Board of Directors approve the purchase of the new server equipment from Resilient Communications for the amount of \$82,100. Discussion ensued regarding the item.

### INFORMATION ITEMS CONTINUED

10. O&M / CIP Budget Review

This item was continued to the Thursday, May 19, 2016, Board of Directors' meeting.

11. Water Usage Update

This item was continued to the Thursday, May 19, 2016, Board of Directors' meeting.

**12.** Outreach Update

This item was continued to the Thursday, May 19, 2016, Board of Directors' meeting.

**13.** Future Agenda Items (Any items added under this section are for discussion at future meetings only)

None.

**14.** Late Items (Appropriate Findings to be Made)

Staff has none.

### **ADJOURNMENT**

Respectfully submitted,

Tim Bonita Recording Secretary





### STAFF REPORT

TO: Board of Directors MEETING DATE: June 15, 2016

FROM: Drew Atwater, Water Resources Manager

SUBJECT: Amendment No.1 to Professional Services Agreement – Michael

**Bell Management Consulting, Inc.** 

**DIVISION: District-Wide** 

### **SUMMARY:**

<u>Issue</u>: Staff recommends the engagement of financial management expertise for fiscal year 2016-17.

<u>Recommendation:</u> It is recommended that the Board of Directors approve Amendment No. 1 to the Professional Services Agreement with Michael Bell Management Consulting for an amount of \$50,000 for a total not-to-exceed contract of \$230,000; and authorize the General Manager to execute the Agreement.

<u>Fiscal Impact</u>: Sufficient funds are included in the proposed Fiscal Year 2016-17 operating budget for consideration by the Board of Directors.

### **BACKGROUND:**

From December 2013 to June 30, 2015, Michael Bell Management Consulting (MBMC) has provided technical and management support for the financial reporting and planning activities of the District. Mr. Bell's responsibilities included providing support to the District's executive management in the day-to-day execution of the District's financial.

Staff is proposing an amendment to the contract with MBMC for these services during fiscal year 2016-17 for a total not to exceed amount of \$230,000, adding \$50,000 to the existing \$180,000 contract. Services provided to the District will include, but not be limited to financial operations, planning, reporting, debt/investment management, budget, rates, and other services as needed.

### #4.

Amendment No. 1 to Professional Services Agreement – Michael Bell Management Consulting, Inc.

June 15, 2016 Page **2** of **2** 

### **DISCUSSION:**

District staff is responsible for executing daily operations of the District's finances. Mr. Bell provides input and review based on a wealth of industry experience and knowledge as needed to provide oversight of the District's financial activities. Mr. Bell is used as a resource to review financial information including monthly financial statements, budget preparation and accounting procedures.

Attached is a Professional Services Agreement with MBMC to provide the described scope of services in fiscal 2016-17. Funds have been budgeted in consulting services to fund this work.

### Attachments:

- Professional Services Agreement Amendment No. 1 for Financial Management Services Support between Moulton Niguel Water District and Michael Bell Management Consulting, Inc.
- 2. Professional Services Agreement for Financial Management Services Support between Moulton Niguel Water District and Michael Bell Management Consulting, Inc.

## AMENDMENT NO. 1 TO AGREEMENT FOR PROFESSIONAL SERVICES BETWEEN MOULTON NIGUEL WATER DISTRICT AND MICHAEL BELL MANAGEMENT CONSULTING, INC. RE: FINANCIAL MANAGEMENT SERVICES CONTRACT NO. OM15-16.007

This Amendment No. 1 (the "Amendment") is entered into and effective as of July 1, 2016 amending the Agreement for Consulting Services, dated July 1, 2015 (the "Agreement") by and between the Moulton Niguel Water District, a California Water District ("District"), and Michael Bell Management Consulting, Inc. ("Consultant") (collectively, the "Parties") for financial management services. Any capitalized terms used but not defined herein shall have the meaning assigned to them in the Agreement.

### RECITALS

- A. WHEREAS, On July 1, 2015, the Parties executed the Agreement for services through June 30, 2016 for a not-to-exceed Agreement amount of \$180,000; and
- B. WHEREAS, The Parties desire to extend the Agreement through June 30, 2017 with an additional expenditure amount of \$50,000.

NOW, THEREFORE, in consideration of these recitals and the mutual covenants contained herein, DISTRICT and Consultant agree as follows:

- 1. The Agreement term is hereby extended through <u>June 30, 2017</u>.
- 2. The Parties agree that the total Agreement amount, including this Amendment, shall not exceed Two Hundred Thirty Thousand Dollars (\$230,000).
- 3. During the term of this Amendment, Consultant will be on site at District headquarters an average of 3 days per month, beginning July 1, 2016.
- 4. Travel expenses will be billed at actual cost. Monthly travel expenses are estimated to be \$700 per month.
- 5. All requisite insurance policies to be maintained by the Consultant pursuant to the Agreement, as may have been amended from time to time, will include coverage for this Amendment.
- 6. All other provisions of the Agreement, as may have been amended from time to time, will remain in full force and effect. In the event of any conflict or inconsistency between the Agreement and previous amendments and this Amendment, the terms of this Amendment shall control.
- 7. The individuals executing this Amendment and the instruments referenced in it on behalf of Consultant represents and warrants that they have the legal power, right and actual authority to bind Consultant to the terms and conditions of this Amendment.

MICHAEL BELL MANAGEMENT CONSULTING, NC.	MOULTON NIGUEL WATER DISTRICT, a California Water District
By: Michael Bell, President	By: Joone Lopez
Signature	General Manager

## AGREEMENT FOR PROFESSIONAL SERVICES BETWEEN MOULTON NIGUEL WATER DISTRICT AND MICHAEL BELL MANAGEMENT CONSULTING, INC. RE: FINANCIAL MANAGEMENT SERVICES CONTRACT NO. OM15-16.007

THIS AGREEMENT (the "Agreement") is dated as of July 1, 2015 (the "Effective Date"), by and between MICHAEL BELL MANAGEMENT CONSULTING, INC., hereinafter referred to as "CONSULTANT" and MOULTON NIGUEL WATER DISTRICT hereinafter referred to as "MNWD," and provides for the furnishing of CONSULTING services to MNWD by CONSULTANT. MNWD and CONSULTANT may sometimes be referred to in this Agreement individually as "party" and together as "parties."

### RECITALS

CONSULTANT proposes to provide financial management services to MNWD (the "Services"). The scope of work to be performed by CONSULTANT under this Agreement is described in **Exhibit A** hereto, which is incorporated herein (the "Scope of Services").

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the parties agree as follows:

### AGREEMENT

### **SECTION I - CONSULTING SERVICES**

<u>Section 1.1</u> CONSULTANT shall provide the Services to MNWD as further defined in <u>Exhibit A</u>. This Agreement, including all attached Exhibits form the Agreement between the parties.

### SECTION II - SCOPE OF SERVICES AND PERFORMANCE

- Section 2.1 CONSULTANT shall perform the Services in accordance with **Exhibit A**, the terms of this Agreement, and as directed by MNWD. MNWD reserves the right to develop additional Services and related requirements as it deems appropriate to meet the needs and objectives of MNWD and this Agreement.
- <u>Section 2.2</u> CONSULTANT acknowledges and agrees that MNWD does not guarantee any minimum or maximum amount of Services and MNWD may use other Consultants for the Services in its sole discretion.
- Section 2.3 CONSULTANT shall provide all labor, materials, tools, equipment, supplies, utilities and transportation required to perform the Services, subject to compliance with the Agreement requirements, and complete all Services in a thorough, professional manner in accordance with generally accepted industry practices and principles, and to the satisfaction of MNWD. CONSULTANT shall have the sole and absolute discretion in determining the methods, details and means of performing the Services, and MNWD shall not have any right to direct the methods, details and means of the Services, provided that CONSULTANT must receive prior written approval from MNWD before using any subconsultants for the provision of Services under this Agreement. In performing the Services under this Agreement, CONSULTANT shall observe and abide by the terms and conditions of all applicable laws, regulations, ordinances, or other rules of the United States, of the State of California, or any political subdivisions thereof, or of any other duly constituted public authority or

agency including but not limited to MNWD.

Section 2.4 MNWD may request or CONSULTANT may recommend, that CONSULTANT perform work in addition to or different from that delineated in the original Scope of Services, or delete services from the Scope of Services. Upon MNWD's request for additional or changed Services, CONSULTANT shall provide a cost estimate and written description of the additional or changed work. Prior to any such addition, changes, or deletion to the Scope of Services, MNWD and CONSULTANT shall negotiate an adjustment of the compensation and completion date and shall execute a written addendum. Upon execution of each addendum, (i) the Scope of Services shall thereafter be as described in the Agreement, respectively, as modified by the addendum and any previously executed addendum; and (ii) the time for completing the Services shall be as set forth in the addendum. Following execution of any amendment, all terms and provisions of the Agreement, except as expressly modified by such amendment, shall remain in full force and effect. MNWD will not be required to pay for any additional or changed work rendered in advance of the execution of an amendment covering the additional or changed work.

Section 2.5 CONSULTANT agrees to coordinate the work to ensure its timely completion and shall promptly notify MNWD of any anticipated delays or causes or casualties beyond CONSULTANT'S control which may affect the work schedule. CONSULTANT shall not begin work on any Services pursuant to this Agreement until receipt of MNWD'S written direction to proceed. Upon receipt of such notice, CONSULTANT shall immediately commence the work described in **Exhibit A**. The Services shall be completed in an expeditious manner and in any event no later than the completion date listed on the Scope of Services. Time is of the essence in this Agreement.

Section 2.6 CONSULTANT's manager in charge of the Services is Michael Bell.

Section 2.7 Without prior written approval of MNWD, CONSULTANT will not make any changes in CONSULTANT'S manager in charge, in consultants, in outside labor arrangements, or associations or joint ventures which are required to accomplish any part of the Scope of Services. CONSULTANT is responsible to MNWD for the acts and omissions of its subcontractors as it is for persons directly employed by CONSULTANT. Nothing contained in this Agreement creates any contractual relationship between any subcontractor and MNWD. CONSULTANT shall not allow any subcontractor to commence work or services under any subcontract until all insurance required of CONSULTANT has been obtained for the subcontractor.

<u>Section 2.8</u> MNWD shall make available to CONSULTANT at no cost all data in MNWD's possession, past reports, prior studies, and other information reasonably required by CONSULTANT and relating to the work to be performed under this Agreement.

<u>Section 2.9</u> All documents and information generated by CONSULTANT and any of CONSULTANT'S subcontractors pursuant to this Agreement shall remain confidential and shall not be copied, distributed, or otherwise provided or referenced by CONSULTANT or CONSULTANT'S subcontractors to any third parties other than with MNWD's written consent, or as compelled by order of court. All documents developed for the Services shall, upon payment in full for the Services or as otherwise provided in SECTION IV herein, be furnished to and become the property of MNWD.

<u>Section 2.10</u> CONSULTANT understands that all documents, records, reports, data or other materials (collectively "Materials") provided by MNWD to CONSULTANT pursuant to this Agreement are to be considered confidential for all purposes.

### SECTION III - TERM

<u>Section 3.1</u> This Agreement shall commence as of the Effective Date and continue in effect through <u>June 30, 2016</u> unless otherwise terminated by either party pursuant to Section VII herein.

### SECTION IV - FEES AND PAYMENT TERMS

<u>Section 4.1</u> MNWD will pay CONSULTANT for its performance of the Services on a time and materials basis, plus direct and other expenses, at the rate and costs as further described in <u>Exhibit A</u>. Total payments under this Agreement shall not exceed <u>One Hundred Eighty Thousand Dollars</u> (\$180,000.00).

<u>Section 4.2</u> Payments will be made based on submittal of invoices by CONSULTANT. Invoices will include the date or period of Services, a complete description of the Services performed, the total amount due and, when requested by MNWD, any support documentation sufficient to validate the charges for each invoice item. Only one bill per month shall be submitted by CONSULTANT, showing amounts due for CONSULTANT during the monthly billing period. Incomplete invoices will be returned unpaid to CONSULTANT.

### **SECTION V - INSURANCE AND INDEMNIFICATION**

Section 5.1 General/Automobile Liability Insurance. CONSULTANT and each of its subconsultants/subcontractors shall maintain throughout the term of this Agreement a general liability policy of insurance for bodily injury and/or death, personal injury and property damage claims which may arise from or in connection with the performance of the work under this Agreement by CONSULTANT and its sub-consultants/subcontractors, and each of their agents, representatives, or employees. Such public liability and property damage insurance (which shall cover claims, injury, death, loss or damage or accidents from the use or operation of any automobiles, trucks and/or other mobile or stationary equipment, whether owned, non-owned or hired) shall be comprehensive in form and shall be on a "per occurrence" basis in a minimum amount of One Million Dollars (\$1,000,000) per occurrence and an annual aggregate limit in a minimum amount at least twice the per occurrence limit specified in this Section.

All insurance provided under this Section 5.2 shall name MNWD and its' directors, officers, employees and representatives as additional insureds under each such policy ("additional insureds") and an additional insured endorsement shall be provided in form acceptable to MNWD.

Section 5.3 Worker's Compensation. By its signature hereunder, CONSULTANT certifies that it is aware of the provisions of Section 3700 of the California Labor Code which requires every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that code, and that CONSULTANT will comply with such provisions before commencing the performance of work under this Agreement. If applicable, CONSULTANT and subcontractors shall maintain throughout the term of this Agreement workers' compensation insurance with limits no less than the statutory limits, and Employer's Liability insurance with limits no less than One Million Dollars (\$1,000,000) per accident and per disease for their employees and shall file with the MNWD the certificate required by Labor Code Section 3700. The workers compensation/Employer's Liability insurance shall be endorsed with a waiver of subrogation in favor of MNWD and its' directors, officers, employees and representatives.

<u>Section 5.4</u> Requirements of All Policies. All policies of insurance required under this SECTION V shall be from insurance providers who are either admitted or licensed to do business in California, or

are Surplus Lines Carriers authorized to do business in California, and who have financial size and ratings of no less than A-, Class VII, and in either case are otherwise acceptable to MNWD. All such policies shall include a provision and executed endorsement for thirty (30) days prior written notice by certified mail, return receipt requested, to MNWD of any cancellation or material alteration of such insurance. CONSULTANT shall provide original certificates and endorsements for all such insurance on forms approved by MNWD in conformity with all requirements of this Agreement prior to commencement of any work or professional services. The policies required hereunder shall be endorsed to include contractual liability.

In the case of additional insured provisions, any insurance afforded the additional insureds by this Agreement is primary insurance as to the additional insureds. Any insurance or self-insurance maintained by the additional insureds shall be excess of the CONSULTANT'S (and its subcontractor's) insurance, and shall not contribute to such insurance.

Any deductibles or self-insured retentions must be declared in writing and approved by MNWD. At the option of MNWD, either: the insurance provider(s) shall reduce or eliminate such deductibles or self-insured retentions as respects the MNWD and its' directors, officers, employees and representatives; or the CONSULTANT shall provide a financial guarantee satisfactory to MNWD guaranteeing payment of losses and related investigations, claim administration and defense expenses. Maintenance of insurance coverage as specified in this Agreement is a material term of this Agreement, and any failure to maintain or renew coverage, or to provide evidence thereof, as required by the terms is a material breach of this Agreement.

### Section 5.5 Indemnity.

CONSULTANT agrees to indemnify, defend and hold harmless MNWD and its officers, directors, officials, and employees from and against all claims, damages, losses and expenses including attorneys' fees arising out of the performance of the work described herein caused by any negligence, recklessness, or willful misconduct of the Consultant, its subconsultants or anyone for whose acts any of them may be liable. This section will survive the expiration or early termination of this Agreement. Consultant is not responsible for errors or omissions in the data provided by District to the Consultant.

This indemnity obligation shall apply to all liability regardless of whether any insurance is applicable, and the policy limits of any insurance shall not act as a limitation upon the indemnification, and amounts related thereto, to be provided by CONSULTANT hereunder.

### **SECTION VI - SUBCONTRACTING**

<u>Section 6.1</u> No obligations under this Agreement shall be subcontracted without prior written approval by MNWD, which approval shall not be unreasonably withheld or delayed.

Section 6.2 In the event that subcontracting is approved by MNWD, CONSULTANT shall ensure that:

- 1) Each subcontractor complies in all respects with the provisions of this Agreement.
- Its subcontractor maintains the same level of insurance coverage as required of CONSULTANT in Section V of this Agreement.

Section 6.3 CONSULTANT is as responsible to MNWD for the acts and omissions of its subcontractor as it is for persons directly employed by CONSULTANT. Nothing contained in this

Agreement creates any contractual relationship between any subcontractor and MNWD. Supplier shall remain the primary debtor and be responsible for the due and timely performance by any subcontractor.

### **SECTION VII - TERMINATION**

<u>Section 7.1</u> This Agreement may be terminated in whole or in part in writing by either party provided that no such termination may be effected unless the other party is given not less than ten (10) calendar days' written notice (deliver by certified mail, return receipt requested) of intent to terminate.

<u>Section 7.2</u> MNWD and CONSULTANT agree that in the event MNWD terminates the Agreement for any cause other than the intentional or negligent error or omission of CONSULTANT, CONSULTANT shall be entitled to payment of compensation incurred prior to the effective date of the termination, as determined under Section IV of this Agreement.

### **SECTION VIII - GENERAL**

<u>Section 8.1</u> CONSULTANT represents that it is aware of no facts or circumstances which would impair its ability to provide fair and unbiased advice to MNWD in the course of performing the Services hereunder, or which would impact its objectivity in performing such Services hereunder.

<u>Section 8.2</u> This Agreement represents the entire understanding of MNWD and CONSULTANT as to those matters contained herein. No prior oral or written understanding shall be of any force or effect with respect to those matters covered hereunder. This Agreement may not be amended, modified or altered except in writing, signed by the parties. This Agreement shall not be construed against the party preparing it, but shall be construed as if both parties prepared it. In the event of any inconsistency between this Agreement and any other agreement or document between the parties, either written or verbal, including any CONSULTANT proposal document, this Agreement shall control unless such other agreement provides explicitly to the contrary.

<u>Section 8.3</u> Any notice required or permitted to be given hereunder if not otherwise specified herein may be given or delivered by depositing the same in the United States Post Office, registered or certified, postage prepaid, or by personal service a hand delivery, and addressed to:

To MNWD - Attn: Matt Collings, Assistant General Manager

Moulton Niguel Water District

27500 La Paz Road

Laguna Niguel, CA 92677

To CONSULTANT - Attn: Michael Bell

Michael Bell Management Consulting, Inc.

P.O. Box 272

Plymouth, CA 95669-9747

<u>Section 8.4</u> California law shall govern the interpretation of this Agreement. In the event of any legal action to enforce or interpret this Agreement, the sole and exclusive venue shall be a court of competent jurisdiction located in Orange County, California, and the parties hereto agree to and do hereby submit to the jurisdiction of such court, notwithstanding Code of Civil Procedure 394.

<u>Section 8.5</u> In the event an action is commenced by either party to enforce its rights or obligations arising from this Agreement, the prevailing party in such action, in addition to any other relief and

recovery awarded by the court, shall be entitled to recover all costs and expenses, including court costs, plus a reasonable amount for attorney's fees.

<u>Section 8.6</u> If any section of this Agreement or provision of this Agreement as applied to either party or to any circumstance shall be adjudged by a court of competent jurisdiction to be void or unenforceable for any reason, the same shall in no way affect (to the maximum extent permissible by law) any other provision of this Agreement, the application of any such provision under circumstances different from those adjudicated by the court, or the validity or enforceability of this Agreement as a whole.

Section 8.7 It is expressly understood and agreed that CONSULTANT is retained as an independent contractor for the sole purpose of rendering the professional and/or special services, and is not an employee or agent of MNWD. CONSULTANT warrants that it will not represent, at any time or in any manner, that CONSULTANT is an employee or agent of MNWD. CONSULTANT shall have no authority to, and shall not, incur any debt, obligation or liability on behalf of MNWD. CONSULTANT shall be solely responsible for the payment of all federal, state and local income tax, social security tax, Workers' Compensation insurance, state disability insurance, and any other taxes or insurance CONSULTANT, as an independent contractor, is responsible for paying under federal, state or local law. CONSULTANT is thus not eligible to receive workers' compensation, medical, indemnity or retirement benefits, including but not limited to enrollment in CalPERS.

The person signing this Agreement on behalf of each party hereto represents he/she has authority to sign on behalf of, respectively, MNWD or CONSULTANT.

<u>Section 8.8</u> This is a non-exclusive Agreement for the Services contemplated herein.

<u>Section 8.9</u> This Agreement and all of the terms, conditions, and provisions hereof shall inure to the benefit of and be binding upon the parties hereto, and their respective successors and assigns; provided, however, that no assignment of this Agreement or any interest herein shall be made by CONSULTANT without prior written consent of MNWD.

<u>Section 8.10</u> This Agreement may be executed in counterparts, each of which shall be deemed an original.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the Effective Date.

Moulton Niguel Water District

By:

Joone Lopez

General Manager

CONSULTANT - Michael Bell Management Consulting, Inc.

Rv.

Title: Presiden

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### MOULTON NIGUEL WATER DISTRICT SCOPE OF WORK FINANCIAL MANAGEMENT SERVICES July 1, 2015

The following provides the Scope of Work for professional services related to performing work and tasks of the Director of Finance position through June 30, 2016. Michael Bell of Michael Bell Management Consulting, Inc. (MBMC) will be on site at MNWD headquarters an average of 2 days per week for the duration of the contract term, beginning July 1, 2015. Services will include, but not be limited to the following:

### Operational

Provide support and advice to Finance Department staff and resources help ensure that all important responsibilities and obligations of the Department are fulfilled.

Operational services include:

- Provide input to MNWD management with regard to Finance Department performance, and provide staff with regular feedback regarding work product
- Review, comment and participate in the preparation of Finance staff reports as needed
- Attend and participate as needed in weekly MNWD staff meetings
- Assist MNWD management with organizational structure, class and compensation decisions as needed
- Assist in the drafting of new policies and in the review of existing policies as needed, including, but not limited to, investment, reserves and debt coverage
- Provide information and support communications with MNWD customers and stakeholders
- Attend monthly Finance Committee and Board of Director meetings as needed
- Assist MNWD management with other reports and presentations as needed

### Financial Planning

Develop and implement major financial plans, forecasts and analyses including, but not limited to:

- Assist with planning/financing/funding the Baker Water Treatment Plant (BWTP)
- Assist with planning/financing of Operations/Headquarters facilities
- Review and comment on the multi-year financial plan and 10-year cash flow forecast
   Work with staff and help manage Water, Recycled Water, and Sewer rates

### **Financial Reporting**

Review and provide comments on ongoing financial reports, analysis, and disclosure in accordance with District timing requirements including:

- · Work with staff to help ensure completion of the annual audit
- Assist with completion of the CAFR
- Review and comment on monthly and quarterly financial reports
- Provide advice and review annual budgets
- · Communicate financial results

· Assist with rating agency updates and presentations

### **Debt/Investment Management**

- · Assist staff in the issuance of refunding and new money debt
- Review investment portfolio on a regular basis
- Evaluate and recommend financing alternatives
- Work with financial advisor, trustee, bond counsel and other parties

### Budget

- Assist executive management review budget proposals for 2016/17
- · Participate in workshops, board and committee meetings as needed

### Confidentiality

In connection with the services and work described, or to be performed, under the Agreement, MBMC agrees to maintain the confidentiality of all of MNWD's confidential information.

### Other Services as Needed

MBMC shall provide other services needed as agreed by the MNWD General Manager and Assistant General Manager.

### **Timeline**

Work performed under this amended Agreement will be for the period July 1, 2015, through June 30, 2016, unless the services are terminated earlier by MNWD.

### Fee Proposal

MBMC will perform the above scope of work under the following fee schedule.

### Time and Materials

MBMC will bill professional fees on a time and materials basis. Michael Bell's hourly rate will be \$225/hour.

Travel expenses will be billed at actual cost. Monthly travel expenses are estimated to be \$3,600 per month. MBMC will follow District protocols regarding travel expenses (e.g., coach flights, room expenses, etc.) Reimbursement for lodging will be capped at \$200/night, including all fees (e.g., transient occupancy taxes, etc.) Receipts for all out-of-pocket travel expenses will be provided for all expense reimbursement requests.

Any additional services outside of the scope stated herein ("Additional Services"), must be authorized by the District in writing prior to the performance thereof. Consultant shall not be entitled to compensation for Additional Services performed without the prior written approval of the District. Additional Services will be paid on a time and materials basis as provided for in this Agreement.



### STAFF REPORT

TO: Board of Directors MEETING DATE: June 15, 2016

FROM: Drew Atwater, Water Resources Manager

SUBJECT: Amendment No. 5 to Professional Services Agreement – Public

**Financial Management, Inc.** 

**DIVISION: District-Wide** 

### **SUMMARY:**

<u>Issue</u>: The term of the existing Professional Services Agreement expire on June 30, 2016, and an extension is required to continue financial advisory services.

<u>Recommendation:</u> It is recommended that the Board of Directors approve Amendment No. 5 to the Professional Services Agreement with Public Financial Management, Inc.; and authorize the General Manager to execute Amendment No. 5.

<u>Fiscal Impact</u>: Sufficient funds are included in the proposed Fiscal Year (FY) 2016-17 operating budget for consideration by the Board of Directors.

### **BACKGROUND:**

The District initially entered into an Agreement for Professional Services (Agreement) with Public Financial Management, Inc. (PFM) in June 2013 to support various financial analyses. PFMs scope increased to include executive support of the District's day to day financial management in the absence of internal District financial management staff. As the District has increased its internal resources, PFMs scope has reduced to focus on long range financial planning and financial advisory services.

### DISCUSSION:

It is recommended that the Board of Directors approve Amendment No.5 to extend the term of PFM's contract through Fiscal Year 2016-17 and maintain the monthly

### **#5.**

Amendment No. 5 to Professional Services Agreement – Public Financial Management, Inc. June 15, 2016

Page 2 of 2

retainer at \$1,500. The scope of work proposed in Amendment No. 5 includes policy, financial planning, and debt management advisory services.

A summary of the authorized and proposed expenditures associated with the PFM Agreement is as follows:

Agreement	Agreement Amount	<b>Cumulative Total</b>
Initial Agreement	\$44,000	
Amendment No. 1	\$245,700	\$289,700
Amendment No. 2	\$361,200	\$650,900
Amendment No. 3	-\$156,600	\$494,300
Amendment No. 4	\$20,000	\$514,300
Amendment No. 5	\$20,000	\$534,300

District Staff will issue a Request for Proposal in FY 2016-17 for its Financial Advisory role and bring back to the Board for consideration at a future meeting.

### Attachments:

- 1. Amendment No. 5 to the Agreement for Professional Services
- 2. Amendment No. 4 to the Agreement for Professional Services
- 3. Amendment No. 3 to the Agreement for Professional Services
- 4. Amendment No. 2 to the Agreement for Professional Services
- 5. Amendment No. 1 to the Agreement for Professional Services
- 6. Original Agreement: executed June 1, 2013

# AMENDMENT NO. 5 TO THE AGREEMENT FOR PROFESSIONAL SERVICES BETWEEN MOULTON NIGUEL WATER DISTRICT AND PUBLIC FINANCIAL MANAGEMENT, INC. FOR FINANCIAL ANALYSIS AND ADVISORY SUPPORT CONTRACT NO. OM13-14.012

This Amendment No. 5 (this "Amendment") is entered into and effective as of July 1, 2016, amending the Agreement for Professional Services, dated June 1, 2013 (the "Agreement") as previously amended, by and between the Moulton Niguel Water District, a California Water District ("MNWD" or "District"), and Public Financial Management, Inc. (PFM) ("Consultant") (collectively, the "Parties"). Where applicable, the term "Agreement" as used in this Amendment includes the Agreement together with this Amendment and any prior amendments. All capitalized terms not defined herein shall have the meanings set forth in the Agreement.

### **RECITALS**

- A. WHEREAS, on July 1, 2015, the Parties executed Amendment No. 4 to extend the Agreement through June 30, 2016 and increase the contract amount by \$20,000 for a not-to-exceed Agreement total of \$514,300.
- B. WHEREAS, the Parties desire to extend the Agreement for an additional one (1) year term with a Fiscal Year 2016-17 expenditure amount of \$20,000.

NOW, THEREFORE, in consideration of these recitals and the mutual covenants contained herein, MNWD and Contractor agree as follows:

- 1. The term of the Agreement is hereby extended through <u>June 30, 2017</u>.
- 2. MNWD will pay Consultant a monthly flat fee retainer in the amount of <u>One Thousand Five Hundred Dollars (\$1,500)</u>, plus direct travel expenses up to a not-to-exceed amount of <u>Two Thousand dollars (\$2,000)</u> during the term of this Amendment. Total payments under this Amendment shall not exceed <u>Twenty Thousand Dollars (\$20,000)</u>. Consultant will provide MNWD, on a monthly basis, copies of invoices sufficiently detailed to include summary of work performed, and related activities and costs for approval by MNWD. All payments made to Consultant by MNWD will be made in accordance with the payment terms set forth in the Agreement.
- 3. The Parties agree that the total Agreement amount, including this Amendment, shall not exceed Five Hundred Thirty-Four Thousand Three Hundred Dollars (\$534,300.00).
- 4. All requisite insurance policies to be maintained by the Consultant pursuant to the Agreement, as may have been amended from time to time, will include coverage for this Amendment.
- 5. All other provisions of the Agreement, as may have been amended from time to time, will remain in full force and effect. In the event of any conflict or inconsistency between the Agreement and previous amendments and this Amendment, the terms of this Amendment shall control.

### **#5.**

6. The individuals executing this Amendment and the instruments referenced in it on behalf of Consultant each represent and warrant that they have the legal power, right and actual authority to bind Consultant to the terms and conditions of this Amendment.

PUBLIC FINANCIAL MANAGEMENT, INC.	MOULTON NIGUEL WATER DISTRICT, a California Water District
By:	By: Joone Lopez
(Sign here)	 General Manager
Name	
 Title	

## AMENDMENT NO. 4 TO THE AGREEMENT FOR PROFESSIONAL SERVICES BETWEEN MOULTON NIGUEL WATER DISTRICT AND PUBLIC FINANCIAL MANAGEMENT, INC. FOR FINANCIAL ANALYSIS AND ADVISORY SUPPORT CONTRACT NO. OM13-14.012

This Amendment No. 4 (this "Amendment") is entered into and effective as of July 1, 2015, amending the Agreement for Professional Services, dated June 1, 2013 (the "Agreement") as previously amended, by and between the Moulton Niguel Water District, a California Water District ("MNWD" or "District"), and Public Financial Management, Inc. (PFM) ("Consultant") (collectively, the "Parties"). Where applicable, the term "Agreement" as used in this Amendment includes the Agreement together with this Amendment and any prior amendments. All capitalized terms not defined herein shall have the meanings set forth in the Agreement.

### RECITALS

- A. The Parties desire to extend the Agreement, as amended, for an additional twelve (12) month term from the expiration date of the Agreement; and
- B. WHEREAS, the Parties desire to amend the Agreement's Scope of Services to adjust the level of services to be performed by Consultant under the Agreement; and
- C. WHEREAS, the Parties have negotiated and agreed to a revised Scope of Services and related fee schedule.
- **NOW, THEREFORE**, in consideration of these recitals and the mutual covenants contained herein, MNWD and Consultant agree as follows:
  - 1. The term of the Agreement is hereby extended through June 30, 2016.
- 2. Amendment to Exhibit A, Scope of Services. The Scope of Services set forth in the Agreement, as amended, shall be deleted in its entirety and replaced by the Exhibit A, Scope of Services, which is attached hereto and incorporated herein by this reference.
- 3. MNWD will pay Consultant a monthly flat fee retainer in the amount of <u>One Thousand Five Hundred Dollars (\$1,500)</u>, plus direct travel expenses up to a not-to-exceed amount of <u>Two Thousand dollars (\$2,000)</u> during the term of this Amendment. Total payments under this Amendment shall not exceed <u>Twenty Thousand Dollars (\$20,000)</u>. Consultant will provide MNWD, on a monthly basis, copies of invoices sufficiently detailed to include summary of work performed, and related activities and costs for approval by MNWD. All payments made to Consultant by MNWD will be made in accordance with the payment terms set forth in the Agreement.
- 4. The Parties agree that the total Agreement amount, including this Amendment, shall not exceed Five Hundred Fourteen Thousand Three Hundred Dollars (\$514,300.00).
- 5. All requisite insurance policies to be maintained by the Consultant pursuant to the Agreement, as may have been amended from time to time, will include coverage for this Amendment.

- 6. All other provisions of the Agreement, as may have been amended from time to time, will remain in full force and effect. In the event of any conflict or inconsistency between the Agreement and previous amendments and this Amendment, the terms of this Amendment shall control.
- 7. The individuals executing this Amendment and the instruments referenced in it on behalf of Consultant each represent and warrant that they have the legal power, right and actual authority to bind Consultant to the terms and conditions of this Amendment.

PUBLIC FINANCIAL MANAGEMENT, INC.

MOULTON NIGUEL WATER
DISTRICT, a California Water District

By:

(Sign here)

Name

Name

\_\_\_\_

By: Joone Lopez

General Manager

### Exhibit A

### MOULTON NIGUEL WATER DISTRICT SCOPE OF WORK FINANCIAL ADVISORY SERVICES July 1, 2015

The Scope of Work for financial advisory services to be provided to Moulton Niguel Water District is described below. Brian Thomas of Public Financial Management (PFM) will perform and direct these services during the Agreement term. Services will include, but not be limited to the following:

### **Financial Planning**

Review and comment on the multi-year financial plan and 10-year cash flow forecast as requested
 with particular attention to financing needs and structure

### **Debt Management**

- Evaluate and recommend financing alternatives
- Work with staff to develop capital financing plans, including recommendations and suggestions
  of alternative financing mechanisms, reviewing long range finance plans, and modeling different
  debt structures to be included in long range finance plans
- Provide feedback and recommendations regarding specific financing needs (e.g., operations facility)
- Review and provide regular updates on refunding or other debt structure opportunities
- Review underwriting proposals and other financing ideas, providing analysis and feedback to staff and board as required
- Coordinate and manage the financing process, including procurement of financing services from other professionals (e.g., trustee, bond counsel, underwriters, printer, verification agent, escrow agent, etc.)
- Provide analysis and recommendations on debt structure, debt capacity, and debt alternatives (e.g., variable rate debt vs. fixed rate debt)
- Work with staff and provide analysis and recommendations regarding the method of sale (e.g., private placement, negotiated vs. competitive)
- Work with staff on rating presentations, updates and surveillance calls to provide timely information, and structure message
- Manage competitive transactions, including working with counsel on Offering Statement and Notice of Sale, analyzing bids, marketing to investors, and managing schedule
- Coordinate negotiated transactions, including providing pricing comparables, assistance negotiating appropriate price, reviewing and analyzing documents, updating numbers, and providing closing memorandums documenting the transaction
- Work with trustee, bond counsel and other parties to ensure timely payment of debt

### **Other Services**

- Assist in the drafting and/or review of existing policies as needed, including, but not limited to, investment, reserves, debt capacity and debt service coverage
- Attend monthly Finance Committee and Board of Director meetings as needed
- Other services needed as agreed by the MNWD General Manager and/or Assistant General Manager.

In connection with the services and work described, or to be performed, under the Agreement, PFM agrees to maintain the confidentiality of all of MNWD's confidential information.

### Timeline

Work performed under this amended Agreement will be for the period July 1, 2015, through June 30, 2016.

### Fee Proposal

PFM will perform the above scope of work under the following fee schedule.

PFM monthly retainer \$1,500. This retainer may be adjusted as mutually agreed by MNWD and PFM.

Transaction fees. In addition to the monthly retainer, financial advisory services associated with specific fixed rate refunding and new money transactions would be completed for \$35,000, or as otherwise agreed by MNWD. Fees for work on other forms of debt (e.g., commercial paper, variable rate, bank facilities, etc.) would be agreed to at the time the transaction was initiated.

### Time and Materials.

To the extent that MNWD desires PFM to perform other tasks not appropriately addressed in this scope of work, PFM would work with MNWD to define the task and appropriate budget to complete such work.

PFM's hourly rates would serve as the basis of the budget, and would be as shown in the following table:

Managing Director: \$325/hour Director: \$290/hour Senior Managing Consultant: \$275/hour Senior Analyst: \$250/hour Analyst: \$225/hour

Travel expenses (if any) will be billed at actual cost. Annual expenses will be capped at \$2,000.

Any additional services outside of the scope stated herein ("Additional Services"), must be authorized by the District in writing prior to the performance thereof. Consultant shall not be entitled to compensation for Additional Services performed without the prior written approval of the District. Additional Services will be paid on a time and materials basis according to the following hourly rate schedule (plus expenses).

## AMENDMENT NO. 3 TO THE AGREEMENT FOR PROFESSIONAL SERVICES BETWEEN MOULTON NIGUEL WATER DISTRICT AND PUBLIC FINANCIAL MANAGEMENT, INC. FOR FINANCIAL ANALYSIS AND ADVISORY SUPPORT CONTRACT NO. 0M13-14.012

This Amendment No. 3 ("Amendment No. 3") is entered into and effective as of August 1, 2014, amending the Agreement for Professional Services, dated June 1, 2013 (the "Agreement") by and between the Moulton Niguel Water District, a California Water District ("MNWD" or "District"), and Public Financial Management, Inc. (PFM) ("Consultant") (collectively, the "Parties"). Where applicable, the term "Agreement" as used in this Amendment includes the Agreement together with this Amendment and any prior amendments. All capitalized terms not defined herein shall have the meanings set forth in the Agreement.

### RECITALS

- A. WHEREAS, the Parties desire to amend the Agreement's Scope of Services to adjust the level of services to be performed by Consultant under the Agreement; and
- B. WHEREAS, the Parties have negotiated and agreed to a revised Scope of Services and related fee schedule.
- **NOW, THEREFORE**, in consideration of these recitals and the mutual covenants contained herein, MNWD and Consultant agree as follows:
- 1. Amendment to Exhibit A, Scope of Services. The Scope of Services set forth in the Agreement, as amended, shall be deleted in its entirety and replaced by the Exhibit A, Scope of Services, which is attached hereto and incorporated herein by this reference.
- 2. MNWD will pay Consultant a monthly flat fee retainer in the amount of <u>Two Thousand Five Hundred Dollars (\$2,500)</u> in addition to payments for the performance of consulting services on a time and materials basis at the rates and costs indicated in <u>Exhibit A</u>. Total payments under this Amendment No. 3 shall not exceed <u>Two Hundred Four Thousand Six Hundred Dollars (\$204,600)</u>. Consultant will provide MNWD, on a monthly basis, copies of invoices sufficiently detailed to include summary of work performed, and related activities and costs for approval by MNWD. All payments made to Consultant by MNWD will be made in accordance with the payment terms set forth in the Agreement.
- 3. The Parties agree that the total Agreement amount, including this Amendment, shall not exceed <u>Four Hundred Ninety-Four Thousand Three Hundred Dollars</u> (\$494,300.00).
- 4. All requisite insurance policies to be maintained by the Consultant pursuant to the Agreement, as may have been amended from time to time, will include coverage for this Amendment No. 3.
- 5. All other provisions of the Agreement, as may have been amended from time to time, will remain in full force and effect. In the event of any conflict or inconsistency between the Agreement and previous amendments and this Amendment No. 3, the terms of this Amendment No. 3 shall control.
- 6. The individuals executing this Amendment No. 3 and the instruments referenced in it on behalf of Consultant each represent and warrant that they have the legal power, right and

actual authority to bind Consultant to the terms and conditions of this Amendment No. 3.

PUBLIC FINANCIAL MANAGEMENT, INC.

By: Joone Lopez

General Manager

MOULTON NIGUEL WATER

DISTRICT, a California Water District

Sign here)

Brian G Thoma

Name

Managing Director

### **EXHIBIT 1**

### MOULTON NIGUEL WATER DISTRICT SCOPE OF SERVICES FINANCIAL ADVISORY AND FINANCIAL MANAGEMENT SERVICES

The following amends the Scope of Services for professional services related to performing work and tasks of the Director of Finance position through June 30, 2014. Brian Thomas of Public Financial Management (PFM) will perform and direct these services during the Agreement term. Michael Bell of Michael Bell Management Consulting (MBMC) will provide services as a sub-contractor to PFM. MBMC will be on site at MNWD headquarters an average of 2 days per week for the duration of the contract term, beginning the week of August 3, 2014. Services will include, but not be limited to the following:

### Operational

Provide support and advice to Finance Department staff and resources help ensure that all important responsibilities and obligations of the Department are fulfilled.

Operational services include:

- Provide input to MNWD management with regard to Finance Department performance, and provide staff with regular feedback regarding work product
- · Review, comment and participate in the preparation of Finance staff reports as needed
- Attend and participate as needed in weekly MNWD staff meetings
- · Assist MNWD management with organizational structure, class and compensation decisions as needed
- Assist in the drafting of new policies and in the review of existing policies as needed, including, but not limited to, investment, reserves and debt coverage
- Provide information and support communications with MNWD customers and stakeholders
- Attend monthly Finance Committee and Board of Director meetings as needed
- Assist MNWD management with other reports and presentations as needed

### Financial Planning

Develop and implement major financial plans, forecasts and analyses including, but not limited to:

- · Assist with planning/financing of Operations/Headquarters facilities
- Review and comment on the multi-year financial plan and 10-year cash flow forecast
- Work with staff and help manage Water, Recycled Water, and Sewer rate reviews including:
  - o Revenue requirement
  - Cost of service analysis
  - Rate design
  - o Development of final documents and presentation to the Board of Directors

### Financial Reporting

Review and provide comments on ongoing financial reports, analysis, and disclosure in accordance with District timing requirements including:

· Work with staff and consultants to help ensure completion of the annual audit

### #5.

- Assist with completion of the CAFR
- Review and comment on monthly and quarterly financial reports
- Provide advice and review annual budgets
- Communicate financial results

### Debt/Investment Management (Financial Advisory Services)

- Review investment portfolio on a regular basis
- · Evaluate and recommend financing alternatives
- Work with trustee, bond counsel and other parties to ensure timely payment of debt

### **Budget**

- Assist executive management review budget proposals for 2015/16
- Participate in workshops, board and committee meetings as needed

In connection with the services and work described, or to be performed, under the Agreement, PFM agrees to maintain the confidentiality of all of MNWD's confidential information, and to ensure that subcontractor MBMC does the same.

### Other Services as Needed

PFM shall provide other services needed as agreed by the MNWD General Manager and/or Assistant General Manager.

### Timeline

Work performed under this amended Agreement will be for the period August 1, 2014, through June 30, 2015, unless the services are terminated earlier by MNWD

### Fee Proposal

PFM and MBMC as subcontractor, will perform the above Scope of Services under the following fee schedule.

PFM monthly retainer (excluding travel expenses): \$2,500. This retainer may be adjusted as mutually agreed by MNWD and PFM.

### Time and Materials.

PFM will bill MBMC professional fees on a time and materials basis. Michael Bell's hourly rate will be \$225/hour. PFM adds no mark-up to MBMC costs.

Travel expenses will be billed at actual cost. Monthly travel expenses are estimated to be \$3,600 per month. PFM and MBMC will follow District protocols regarding travel expenses (e.g., coach flights, room expenses, etc.) Reimbursement for lodging will be capped at \$200/night, including all fees (e.g., transient occupancy taxes, etc.) Receipts for all out-of-pocket travel expenses will be provided for all expense reimbursement requests.

Any additional services outside of the scope stated herein ("Additional Services"), must be authorized by the District in writing prior to the performance thereof. Consultant shall not be entitled to compensation for Additional

Services performed without the prior written approval of the District. Additional Services will be paid on a time and materials basis according to the following hourly rate schedule (plus expenses):

Subcontractor MBMC/Michael Bell: \$225/hour

Brian Thomas: \$325/hour Eric Espino: \$275/hour Russ Branson: \$275/hour

In addition to the above, financial advisory services associated with a debt issuance would be paid from debt proceeds, and would be performed on a flat fee basis equal to \$35,000 or as otherwise agreed by MNWD.

# AMENDMENT NO. 2 TO THE AGREEMENT FOR PROFESSIONAL SERVICES BETWEEN MOULTON NIGUEL WATER DISTRICT AND PUBLIC FINANCIAL MANAGEMENT, INC. FOR FINANCIAL ANALYSIS AND ADVISORY SUPPORT CONTRACT NO. OM13-14.012

This Amendment No. 2 ("Amendment No. 2") is entered into and effective as of <u>UWe 4</u>, 2014, amending the Agreement for Professional Services, dated June 1, 2013 (the "Agreement") by and between the Moulton Niguel Water District, a California Water District ("MNWD" or "District"), and Public Financial Management, Inc. (PFM) ("Consultant") (collectively, the "Parties") for financial analysis and advisory support services. Where applicable, the term "Agreement" as used in this Amendment No. 2 includes the Agreement together with this Amendment No. 2 and any prior amendments. All capitalized terms not defined herein shall have the meanings set forth in the Agreement.

### **RECITALS**

- A. On December 1, 2013, the Parties entered into Amendment No. 1 to the Agreement ("Amendment No.1"), supplementing the Scope of Services to include Consultant's performance of interim financial analysis and advisory support services through June 1, 2014 at a monthly flat-fee rate of Twenty-Six Thousand Five Hundred Dollars (\$26,500.00) for a total not-to-exceed Agreement amount of Two Hundred Eighty-Nine Thousand Seven Hundred Dollars (\$289,700.00); and
- B. The Parties desire to extend the Agreement, as amended, for an additional twelve (12) month term from the expiration date of the Agreement at the same Scope of Services and monthly flat fee rate as agreed between the parties in Amendment No.1.
- **NOW, THEREFORE**, in consideration of these recitals and the mutual covenants contained herein, MNWD and Consultant agree as follows:
  - 1. The term of the Agreement is hereby extended through June 1, 2015.
- 2. MNWD will pay Consultant for its performance of services pursuant to the Agreement, as amended, on a monthly flat fee basis in the amount of Twenty-Six Thousand Five Hundred Dollars (\$26,500) per month plus travel expenses at actual cost, as further described in Exhibit "A" to Amendment No.1. Total payments under this Amendment No. 2 shall not exceed Three Hundred Sixty-One Thousand Two Hundred Dollars (\$361,200.00) for an Agreement total of Six Hundred Fifty Thousand Nine Hundred Dollars (\$650,900.00). Consultant will provide MNWD, on a monthly basis, copies of invoices sufficiently detailed to include summary of work performed, and related activities and costs for approval by MNWD. All payments made to Consultant by MNWD will be made in accordance with the payment terms set forth in the Agreement.
  - 3. All requisite insurance policies to be maintained by the Consultant pursuant to the Agreement, as may have been amended from time to time, will include coverage for this Amendment No. 2.
  - 4. The District may provide notice to Consultant of the District's desire to amend the scope of services at any time during the Agreement period. District shall provide notice of its desire to change the scope of services at least 5 days prior to the effective date of such change. District and Consultant will then negotiate

appropriate fees for the revised scope of work.

- 5. All other provisions of the Agreement, as may have been amended from time to time, will remain in full force and effect. In the event of any conflict or inconsistency between the Agreement and this Amendment No. 2, the terms of this Amendment No. 2 shall control.
- 6. The individuals executing this Amendment No. 2 and the instruments referenced in it on behalf of Consultant each represent and warrant that they have the legal power, right and actual authority to bind Consultant to the terms and conditions of this Amendment No. 2.

PUBLIC FINANCIAL MANAGEMENT, INC.

DISTRICT, a California Water District

MOULTON NIGUEL WATER

General Manage

(Sign here)

Name

Managing Director

# AMENDMENT NO. 1 TO THE AGREEMENT FOR PROFESSIONAL SERVICES BETWEEN MOULTON NIGUEL WATER DISTRICT AND PUBLIC FINANCIAL MANAGEMENT, INC. FOR FINANCIAL ANALYSIS AND ADVISORY SUPPORT FY2013-14: OM13-14.012

This Amendment No. 1 ("Amendment No.1") is entered into and effective as of the /sr day of December, 2013, amending the Agreement for Professional Services, dated June 1, 2013 (the "Agreement") by and between the Moulton Niguel Water District, a California Water District ("MNWD" or "District"), and Public Financial Management, Inc. (PFM) ("Consultant") (collectively, the "Parties") for financial analysis and advisory support services. Where applicable, the term "Agreement" as used in this Amendment No. 1 includes the Agreement together with Amendment No. 1.

### **RECITALS**

- A. On June 1, 2013, the Parties entered into the Agreement for financial analysis and advisory support services to be performed during Fiscal Year (FY) 2013-14 through June 1, 2014 for a not-to-exceed amount of \$44,000.00; and
- B. The Parties desire to supplement the Agreement's scope of work to include Consultant's performance of professional services to provide interim support in the absence of the Director of Finance; and
- C. The Parties have negotiated and agreed to a supplemental scope of work and related fee schedule, which is attached to and incorporated in by this reference as Exhibit "A" Scope of Services and Fee.
- NOW, THEREFORE, in consideration of these recitals and the mutual covenants contained herein, MNWD and Consultant agree as follows:
- 1. Additional Section 2A:MNWD will pay Consultant for all work associated with those services described in Exhibit "A" on a monthly basis for a flat fee of twenty-six thousand five hundred dollars (\$26,500), in accordance with the payment terms set forth therein, not-to-exceed two hundred forty-five thousand seven hundred dollars (\$245,700.00) for an Agreement total of two hundred eighty-nine thousand seven hundred dollars (\$289,700.00). MNWD will pay Consultant for all travel expenses related to such services, as further described in Exhibit "A" at actual cost in accordance with the payment terms herein. Consultant will provide MNWD, on a monthly basis, copies of invoices sufficiently detailed to include summary of work performed, and related activities and costs for approval by MNWD.
  - 2. Consultant will complete all work for this Amendment No. 1 by <u>June 1, 2014</u>.
- 3. All other provisions of the Agreement, as may have been amended from time to time, will remain in full force and effect. In the event of any conflict or inconsistency between the Agreement and previous amendments and this Amendment No. 1, the terms of this Amendment No. 1 shall control.

- 4. All requisite insurance policies and bonding to be maintained by the Consultant pursuant to the Agreement under Section 13 will include coverage for the work and services provided under this Amendment No. 1. Consultant's subcontractor MBMC (and any other subcontractors of the Consultant that are approved by the District in writing) is required to maintain insurance policies and fidelity bonding in accordance with all terms, conditions and requirements under Section 13 throughout the term of this Agreement. Consultant shall provide evidence of subcontractor insurance coverage and bonding, including but not limited to additional insured endorsements, as required under Section 13 prior to a subcontractor commencing work or services under the Agreement.
- 5. Consultant's indemnification obligations pursuant to Sections 9 and 9A shall survive the expiration or termination of this Agreement and/or the performance or completion of services provided under this Agreement.
- 6. All other provisions of the Agreement, as may have been amended from time to time, will remain in full force and effect. In the event of any conflict or inconsistency between the Agreement and this Amendment No. 1, the terms of this Amendment No. 1 shall control.
- 7. The individuals executing this Amendment No. 1 and the instruments referenced in it on behalf of Consultant each represent and warrant that they have the legal power, right and actual authority to bind Consultant to the terms and conditions of this Amendment No. 1.

PUBLIC FINANCIAL MANAGEMENT, INC.

MOULTON NIGUEL WATER DISTRICT, a California Water District

PIT

Ivanic

Title

By: Joone Lopez

General Manage

## EXHIBIT A SCOPE OF WORK AND FEE

# MOULTON NIGUEL WATER DISTRICT SCOPE OF WORK INTERIM DIRECTOR OF FINANCE SERVICES October 24, 2013

The following is the Scope of Work for professional services related to performing work and tasks of the Director of Finance position through June 30, 2014. Brian Thomas of Public Financial Management (PFM) will perform and direct these services during the Agreement term, or until MNWD fills the Director of Finance position. Michael Bell of Michael Bell Management Consulting (MBMC) will assist PFM as a sub-contractor to PFM as needed to ensure continuity of services and work product. PFM commits to having resources on site at MNWD headquarters 3 days per week for the duration of the contract term, beginning the week of November 11, 2013. Services will include, but not be limited to the following:

#### **Operational**

Provide direction and support to Finance Department staff and resources on a daily basis to ensure that all important responsibilities and obligations of the Department are fulfilled.

Operational services include:

- Supervise and direct staff work as needed
- PFM will not conduct performance appraisals, but will provide input to MNWD management with regard to Finance Department performance, and provide staff with regular feedback regarding performance and work product
- Coordinate, chair and manage weekly Finance Department staff meetings
- Direct the preparation of Finance staff reports as needed
- Attend and participate as needed in weekly MNWD staff meetings
- Assist MNWD management with organizational structure, class and compensation decisions regarding the Finance Department
- Review and revise existing policies as needed including investment, reserves and debt coverage
- Provide information and support communications with MNWD customers and stakeholders
- Provide information for and attend monthly Finance Committee and Board of Director meetings
- Assist MNWD management with other reports and presentations as needed

#### **Financial Planning**

Develop and implement major financial plans, forecasts and analyses including, but not limited to:

- Assist with planning/financing/funding the Baker Water Treatment Plant (BWTP)
- Assist with planning/financing of Operations/Headquarters facilities
- Develop multi-year (10 year) financial plan

- Develop 10-year cash flow forecast
- Manage Water, Recycled Water, and Sewer rate reviews including:
  - o Revenue requirement
  - o Cost of service analysis
  - o Rate design

#### **Financial Reporting**

Prepare and/or supervise ongoing financial reports, analysis, and disclosure in accordance with District timing requirements including:

- Manage and assist with completion of the annual audit
- Manage and assist with completion of the CAFR
- Submit CAFR to GFOA for consideration for award for excellence in financial reporting
- Manage and prepare monthly and quarterly financial reports
- Manage and prepare budgets
- · Communicate financial results

#### **Debt/Investment Management**

- Coordinate and manage the issuance of refunding and new money debt, including providing the complete range of financial advisory services related to the issuance of debt
- Review investment portfolio on a regular basis
- Evaluate and recommend financing alternatives
- Work with trustee, bond counsel and other parties to ensure timely payment of debt

#### Budget

- Assist executive management review budget proposals
- Coordinate the preparation and presentation of the 2014/15 budget
- Work with operating divisions to develop a comprehensive and efficient 2014/15 budget
- · Participate in workshops, board and committee meetings to review and consider budget

In connection with the services and work described, or to be performed, under the Agreement, PFM agrees to maintain the confidentiality of all of MNWD's confidential information, and to ensure that subcontractor MBMC does the same.

#### Other Services as Needed

PFM shall provide other services needed as agreed by the MNWD General Manager and Assistant General Manager, including assisting in the recruitment to fill the Director of Finance position.

#### **Timeline**

Work performed under this Agreement will be for the period November 1, 2013, through June 1, 2014, unless the services are terminated earlier.

#### #5.

#### **Fee Proposal**

PFM will perform the above scope of work under the following fee schedule.

PFM monthly cost (excluding travel expenses): \$26,500

Travel expenses will be billed at actual cost. Monthly travel expenses are estimated to be \$3,600 per month. PFM will follow District protocols regarding travel expenses (e.g., coach flights, room expenses, etc.) Reimbursement for lodging will be capped at \$200/night, including all fees (e.g., transient occupancy taxes, etc.) Receipts for all out-of-pocket travel expenses will be provided for all expense reimbursement requests.

Any additional services outside of the scope stated herein ("Additional Services"), must be authorized by the District in writing prior to the performance thereof. Consultant shall not be entitled to compensation for Additional Services performed without the prior written approval of the District. Additional Services will be paid on a time and materials according to the following hourly rate schedule (plus expenses):

Subcontractor MBMC/Michael Bell: \$225/hour

Brian Thomas: \$325/hour Eric Espino: \$275/hour Russ Branson: \$275/hour

In addition to the above, financial advisory services associated with a debt issuance would be paid from debt proceeds, and would be performed on a flat fee basis equal to \$35,000.

CONTRACT NO.	2013-1
APPROVED:	

#### AGREEMENT FOR PROFESSIONAL SERVICES

THIS AGREEMENT is made and entered into by and between MOULTON NIGUEL WATER DISTRICT, a California Water District (District), and Public Financial Management, Inc. (Consultant).

#### RECITALS

WHEREAS, Consultant represents that it is specially trained, experienced, and competent to perform the services as outlined in the attached scope of services; and

WHEREAS, Consultant is competent and able to render the professional services described herein.

NOW, THEREFORE, in consideration of the mutual covenants and conditions contained herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and intending to be legally bound hereby, the parties agree as follows;

#### AGREEMENT:

- 1. <u>Scope of Service</u>. Subject to the terms and conditions set forth herein, Consultant shall provide the professional services to District as described in the *Scope of Services*, which is <u>Attachment 1</u> to this agreement and incorporated herein by this reference. Consultant shall provide the services in the manner specified by the General Manager, Joone Lopez ("District representative").
- 2. <u>Compensation</u>. District agrees to pay Consultant and Consultant agrees to accept payment at a flat monthly fee, payable in two equal monthly installments as specified in <u>Attachment 1</u>, for all services required by this agreement, provided that the total compensation to Consultant shall not exceed the sum of forty-four thousand dollars (\$44,000), which is inclusive of all expenses.
- 3. <u>Effective Date and Term.</u> This agreement shall become effective on June 1, 2013. Consultant shall endeavor to perform all the services described herein by June 1, 2014. The services will be provided on a monthly basis but not necessarily on a consecutive basis. The schedule of services will be determined by the District. Consultant shall not be entitled to and shall not commence any work hereunder unless and until issuance of a written notice to proceed to Consultant.
- 3.1 <u>Termination</u>. This agreement may be terminated in whole or in part in writing by either party provided that no such termination may be effected unless the other party is given not less than ten (10) calendar day's written notice (deliver by certified mail, return receipt requested) of intent to terminate. Additionally, District may suspend performance by Consultant of any or all services listed in the scope of services by providing written notice to Consultant at least five (5) working days prior to the date on which District wishes to suspend. Upon receipt of such notice, Consultant shall immediately suspend any work or services hereunder, unless otherwise instructed by District in such notice. Consultant shall not perform further services under this agreement after the effective date of suspension until receipt of written notice from District to resume performance.

- 4. <u>Billings</u>. Consultant shall submit monthly bills to the District in accordance with <u>Attachment 1</u>, describing services performed during the prior 30 day period and any further information required by the District representative, not to exceed the maximum monthly and overall compensation in Section 2 hereof.
- 5. <u>Status Reports.</u> Consultant shall provide written reports of all significant developments arising during performance of services unless excused by the District representative.
- 6. <u>Primary Provider of Services</u>. The services described by this agreement shall be performed by Brian Thomas, with assistance from his staff, none of whom shall be replaced without the written consent of the District representative.
- 7. <u>Assignment and Subcontracting</u>. It is recognized by the parties that a substantial inducement to District for entering this agreement was, and is, the professional reputation and competence of Consultant. Therefore, this agreement may not be assigned by Consultant without the prior written consent of District.
- 8. <u>Consultant's Responsibility</u>. It is understood that Consultant possesses the skills, experience and knowledge necessary to perform the services agreed to be performed under this agreement, and that District relies upon the Consultant's representation about its skills, experience and knowledge to perform Consultant's services in a competent manner. Acceptance by District of the services performed under the agreement does not operate as a release of said Consultant from responsibility for the services performed. It is further understood and agreed that Consultant is apprised of the scope of the services to be performed under this agreement and Consultant agrees that said services can and shall be performed in a fully competent manner.
- 9. <u>Indemnification.</u> Consultant shall indemnify, defend, and hold District, its officials, officers and employees harmless from and against any and all actions, claims, damages, expenses and liability arising out of the negligent acts, errors or omissions, or intentional wrongdoing, of Consultant in the performance of its services under this agreement. It is understood that the duty to indemnify and hold harmless includes the duty to defend as set forth in Section 2778 of the California Civil Code.
- 10. <u>Deliverables</u>. The reports and documents prepared by the Consultant pursuant to the agreement as set forth in <u>Attachment 1</u> shall be delivered to and become the property of the District. All materials of a preliminary nature, such as notes, and other data, prepared or obtained in the performance of this agreement, shall be made available for District review, upon request, at no additional charge. Consultant agrees it shall retain all its files related to this agreement and the services provided hereunder, including all materials of a preliminary nature as described, for a period of no less than four (4) years from the dated date of this agreement.
- 11. <u>Conflict of Interests</u>. Consultant warrants and covenants that the Consultant presently has no interest in, nor shall any interest be hereinafter acquired in, any matter that will render the services required under the provisions of this agreement a violation of any applicable state, local, or federal law. In the event that any conflict of interest should nevertheless hereinafter arise, the Consultant shall promptly notify the District's Attorney of the existence of such conflict of interest so that the District may determine whether to terminate this agreement.

The Consultant further warrants its compliance with the Political Reform Act (Gov. Code 8100 et Seq.) respecting this agreement. In addition, the Consultant possesses no authority with respect to any District decision beyond the rendition of information, advice, recommendation or counsel.

- documents to assign to the District the copyright to work created pursuant to this agreement. The issuance of patent or copyright to the Consultant or any other person shall not affect the District's rights to the materials and records prepared or obtained in the performance of this agreement. The District reserves a license to use such materials and records without restrictions or limitation consistent with the intent of the original design, and the District shall not be required to pay any additional fee or royalty for such materials or records. The license reserved by the District shall continue for a period of fifty years from the date of execution of this agreement unless extended by operation of law or otherwise.
- 13. <u>Insurance.</u> Prior to beginning any of the services or work required by this agreement, Consultant, at its sole cost and expense, shall carry, maintain for the duration of the agreement, and provide proof thereof that is acceptable to the District, the insurance specified in subsections (a) through (c) below with insurers and under forms of insurance satisfactory in all respects to the District.
- (a) Workers' Compensation Satisfactory Workers' Compensation Insurance and Employer's Liability Insurance for any and all persons employed directly or indirectly by Consultant shall be provided with limits not less than one million dollars (\$1,000,000.00). In the alternative, Consultant may rely on a self-insurance program to meet these requirements so long as the program of self-insurance complies fully with the provisions of the California Labor Code. The insurer, if insurance is provided, or the Consultant, if a program of self-insurance is provided, shall waive all rights of subrogation against the District for loss arising from work performed under this agreement.
- (b) Commercial General and Automobile Liability. Consultant, at Consultant's own cost and expense, shall maintain commercial general and automobile liability insurance for the period covered by this agreement in an amount not less than one million dollars per occurrence (\$1,000,000.00), combined single limit coverage for risks associated with the work contemplated by this agreement. If a Commercial General Liability Insurance or an Automobile Liability form or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to the work to be performed under this aggreement or the general aggregate limit shall be at least twice the required occurrence limit. All this insurance shall cover on an occurrence or an accident basis, and not on a claims made basis. Such coverage shall include but shall not be limited to, protection against claims arising from bodily and personal injury, including death resulting therefrom, and damage to property resulting from activities contemplated under this agreement including the use of hired and non-owned automobiles.

Coverage shall be at least as broad as Insurance Services Office Commercial General Liability occurrence form CG 0001 (ed. 11/88) and Insurance Services Office Automobile Liability form CA 0001 (ed. 12/90) Code 1 (any auto). No endorsement shall be attached limiting the coverage.

Each of the following shall be included in the insurance coverage or added as an endorsement to the policy, except as otherwise noted under any numbered requirement:

- (1) District, its officers, employees, agents, and volunteers are to be covered as insureds as respects each of the following: Liability arising out of activities performed by or on behalf of Consultant, including the insured's general supervision of Consultant; products and completed operations of Consultant; premises owned, occupied or used by Consultant; or Consultant' non-owned automobiles, including automobiles leased, hired, or borrowed by Consultant. The coverage shall contain no special limitations on the scope of protection afforded District, its officers, employees, agents, or volunteers.
- (2) The policy must contain a cross liability or severability of interest clause.
- (3) An endorsement must state that coverage is primary insurance and that no other insurance affected by the District will be called upon to contribute to a loss under the coverage.
- (4) Any failure of Consultant to comply with reporting provisions of the policy shall not affect coverage provided to District and its officers, employees, agents, and volunteers.
- (5) Insurance is to be placed with California-admitted insurers with a Best's rating of no less than A: VII.
- (6) Written notice of cancellation or non-renewal must be received by District at least thirty (30) days prior to such change.
- (c) Professional Liability; Fidelity Bond Coverage. Consultant, at Consultant's own cost and expense, shall maintain for the period covered by this agreement (i) fidelity bond coverage in an amount not less than one million dollars (\$1,000,000.00) for Consultant's representative's performing work pursuant to this agreement; and (ii) professional liability insurance for licensed professionals performing work pursuant to this agreement in an amount not less than one million dollars (\$1,000,000.00) covering the licensed professionals' errors and omissions, as follows:
  - (1) Any deductible or self-insured retention shall not exceed \$10,000 per claim, or shall be approved by District if in excess of such amount.
  - (2) Written notice that cancellation, material changes, or nonrenewal must be received by the District at least thirty days prior to such change shall be included in the coverage or added as an endorsement to the policy.
  - (3) The following provisions shall apply if the professional liability coverages are written on a claims made form:
    - (a) The retroactive date of the policy must be shown and must be before the date of the agreement, or Consultant will provide evidence of full unknown prior acts coverage
    - (b) Insurance must be maintained and evidence of insurance must be provided for at least two years after completion of the agreement of the work.

- (c) If coverage is canceled or not renewed and it is not replaced with another claims made policy form with a retroactive date that precedes the date of this agreement, Consultant must provide extended reporting coverage for a minimum of two (2) years after completion of the work. The District shall have the right to exercise, at the Consultant's cost, any extended reporting provisions of the policy should the Consultant cancel or not renew the coverage.
- (d) A copy of the claim reporting requirements must be submitted to the District prior to the commencement of any work under this agreement.
- (d) <u>Deductibles and Self-Insured Retentions</u>. Consultant shall disclose the self-insured retentions and deductibles before beginning any of the services or work called for by any term of this agreement. During the period covered by this agreement upon express written authorization of District representative, Consultant may increase such deductibles or self-insured retentions with respect to District, its officers, employees, agents, and volunteers. The District representative may condition approval of an increase in deductible or self-insured retention levels upon a requirement that Consultant procure a bond guaranteeing payment of losses and related investigations, claim administration, and defense expenses that is satisfactory in all respects to each of them.
- (e) Notice of Reduction in Coverage. In the event that any coverage required under subsections (a), (b), or (c) of this section of the agreement is reduced, limited, or materially affected in any other manner, Consultant shall provide written notice to District at Consultant's earliest possible opportunity and in no case later than five days after Consultant is notified of the change in coverage.
- (f) <u>District's Remedies</u>. In addition to any other remedies District may have if Consultant fails to provide or maintain any insurance policies or policy endorsements to the extent and within the time herein required, District may, at its sole option:
  - (i) Obtain such insurance and deduct and retain the amount of the premiums for such insurance from any sums due under the agreement;
  - (ii) Order Consultant to stop work under this agreement or withhold any payment which becomes due to Consultant hereunder, or both stop work and withhold any payment, until Consultant demonstrates compliance with the requirements hereof;
  - (iii) Terminate this agreement.

Exercise of any of the above remedies, however, is an alternative to other remedies District may have and is not the exclusive remedy for Consultant's failure to maintain insurance or secure appropriate endorsements.

- 14. <u>Time is of the Essence</u>. The Consultant agrees to diligently carry out the services to be provided under this agreement to completion and in accordance with any schedules specified herein. In the performance of this agreement, time is of the essence.
- 15. <u>Independent Contractor Status</u>. It is expressly understood and agreed by both parties that Consultant, while engaged in carrying out and complying with any of the terms and conditions of this agreement, is an independent contractor and not an employee of the District.

Consultant expressly warrants that it will not represent, at any time or in any manner, that Consultant is an employee of the District.

All notices under this agreement shall be in writing and shall be delivered by personal service or by certified or registered mail, postage prepaid, return receipt requested, of the parties. Any written notice to any of the parties required or permitted hereunder shall be deemed to have been duly given on the date of service if served personally or if served by facsimile transmission (with confirmation of receipt), or seventy-two (72) hours after the mailing. Rejection or other refusal to accept or the inability to deliver because of changed address of which no notice was given as provided hereunder shall be deemed to be receipt of the notice, demand or request sent. Notices of the parties shall be sent to the following addresses:

To Consultant: Brian Thomas, Managing Director

Public Financial Management, Inc.

601 S. Figueroa Street

Suite 4500

Los Angeles, CA 90017

To District:

Moulton Niguel Water District

Attn: Joone Lopez, General Manager

27500 La Paz Road Laguna Niguel, CA 92677

(949) 448-4071 (949) 831-7285 FAX

Each party shall provide the other party with written notice of any change of address or telephone number that occurs as soon as practicable.

- No Third Party Rights. The parties intend not to create rights in, or to grant 17. remedies to, any third party as a beneficiary of this agreement or of any duty, covenant, obligation, or undertaking established herein.
- Whole Agreement. This agreement constitutes the entire understanding and agreement of the parties. This agreement integrates all of the terms and conditions mentioned herein or incidental hereto and supersedes all negotiations or previous agreements between the parties with respect to all or any part of the subject matter thereof.
- Amendments. This agreement may be modified or amended only by a written document executed by both Consultant and General Manager. Such document shall expressly state that it is intended by the parties to amend the terms and conditions of this agreement.
- Interpretation. The provisions contained herein shall not be construed in favor of or against either party but shall be construed as if all parties prepared this agreement. The masculine and neuter genders, the singular number and the present tense shall be deemed to include the feminine gender, the plural number and past and future tense, respectively, where the context so requires.
- Controlling Law. This agreement and all matters relating to it shall be governed 21. by the laws of the State of California.

22. <u>Counterparts</u>. This agreement may be executed in multiple identical counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument but the parties agree that the agreement on file in the office of the Board Secretary is the version of the agreement that shall take precedent should any differences exist among counterparts of the document.

[signature page follows]

DISTRICT:	Approved as to Form: Bowie, Ameson, Wiles & Giannone, General Counsel
By: Septeral Manager	By: Patricia B. Giannone
Date: 6/12/13	Date: 6/17/2013
Attest:	, ,
By: Board Secretary	CONSULTANT: Public Financial Management, Inc.
Date: 6/13/13	Brian Thomes
/ /	Bushma (Signature)
	213-481-4075
	Telephone Number Fax Number
	Social Security/Tax ID Number
	Date:

IN WITNESS WHEREOF, Consultant and the District have executed this agreement In Laguna Niguel, California, on June 1, 2013.

[signature page to Professional Services Agreement- Public Financial Management, Inc.]

### Attachment 1

Scope of Services

# Moulton Niguel Water District Financial Analysis and Advisory Support Scope of Services April 15, 2013

**Proposed Scope of Services**. Public Financial Management, Inc. ("Consultant") will work with the General Manager, the executive team and finance and planning staff to develop holistic and long-term (five-year) financial plans. This effort includes reviewing and participating in efforts to revise water, recycled water and sewer rates, develop capital expenditure and funding plans, water resource planning, and administrative and budgeting issues. In addition, Consultant will provide advice and counsel regarding special projects, including procurement processes, buy vs. lease decisions, financing (e.g., debt refunding and restructuring), and other specific transactions as requested. Finally, Consultant will assist in the preparation and presentation of reports and analysis to the MNWD board of directors, stakeholder groups, and other interested parties as directed by the General Manager.

Consultant Tasks. Specific tasks include the following:

- Rate and revenue requirement analysis and support. Review and rates proposal and analysis and provide input on analytical approach and objectives. Work with staff to develop appropriate presentation and communication material. Assist in the development of implementation schedule, including alternative approaches to Proposition 218 requirements. Participate, as required, in workshops, public presentations, and board meetings to support the needed rate changes.
- Financing and financial advice. Review and coordinate with MNWD's
  finance team (including underwriters, bond counsel, staff) to evaluate and
  analyze financing opportunities. Such opportunities include refunding
  outstanding debt, issuing new debt, and restructuring debt, all in the
  context of MNWD's long-term financial and operating objectives.
- 3. **Financial policies**. Consultant will review MNWD's financial policies (e.g., debt policy, investment policy, rate policy, etc.) and work with staff to update and revise such policies as appropriate. In addition, Consultant will work with staff to identify redundant policies or policies that need to be added.
- 4. Financial and Capital Planning. Consultant will work with staff to develop a long-term (e.g., at least five-year) financial plan. This plan would include funding strategies needed to meet MNWD's ongoing capital needs, operating costs, and water supply costs. This planning effort would necessarily be consistent with ongoing Water Supply Planning efforts and Capital Improvement Planning efforts. The Financial Plan

would integrate each of these elements into an affordable and achievable long-term plan.

- 5. **Budgets and other operating tasks**. As requested, Consultant will work with staff to develop ongoing operating and capital budgets, including developing presentations, budget documents, and evaluation of rate and revenue impacts.
- 6. Special projects. Consultant will work with staff to develop appropriate decision-making analytics for the consolidation of workforce in to a single work site. This will include working with staff to identify different financing strategies, cost methodologies, and evaluating alternatives. In addition, Consultant will assist staff as requested to evaluate needed professional services to ensure a successful project. Consultant will be available to assist on other special projects as needed.
- 7. Other projects as assigned. Consultant will be available to work with staff on other projects as determined by the General Manager, and to assist the General Manager evaluate staffing needs in the finance area, and other organizational issues as required.

**Schedule and Timeframe**. Consultant will be available to begin work on May 13, 2013. Consultant will provide services one day a week at the MNWD office until such time as General Manager determines such service is not required or is not meeting objectives, or as otherwise terminated. It is expected that Consultant services under this scope of services would terminate one year from initial work. However, Consultant and MNWD can extend and modify this scope of services and timeframe at any time with mutual consent.

Personnel. The following PFM employees will conduct work on this project.

Brian Thomas, Managing Director will be the principal assigned to this project. Mr. Thomas will be assisted in analytical work by:

Will Frymann, Senior Managing Consultant Thomas Toepfer, Senior Managing Consultant

### **#5.**

#### Fee terms.

Consultant will receive a monthly fee of \$10,000 for all services rendered, payable in two equal installments on the 15<sup>th</sup> and 30<sup>th</sup> day of each month. This fee includes all compensation for out of pocket expenses, including travel, and no additional compensation will be provided other than the flat monthly fee.



#### **STAFF REPORT**

TO: Board of Directors MEETING DATE: June 15, 2016

FROM: Gina Hillary, Director of Human Resources

SUBJECT: Selection of the Annual Lump Sum Prepayment Option for

**Unfunded Accrued Liability to CalPERS for Fiscal Year 2016-17** 

**DIVISION: District-Wide** 

#### SUMMARY:

<u>Issue</u>: The District is required to remit employer contributions to the California Public Employees Retirement System (CalPERS).

<u>Recommendation:</u> It is recommended that the Board of Directors elect the annual lump sum prepayment option to pay for the unfunded accrued liability to CalPERS for Fiscal Year (FY) 2016-17.

<u>Fiscal Impact</u>: Should the District exercise this option, there would be a savings of \$23,275 for FY 2016-17.

#### **BACKGROUND:**

CalPERS conducts an annual actuarial valuation of our retirement plan to determine required employer contributions. Beginning with FY 2015-16, CalPERS changed the billing process for collecting employer contributions. The normal cost portion of employer contributions must be paid as a percentage of payroll. The unfunded accrued liability portion may be paid as an annual lump sum pre-payment or as a monthly dollar amount. The District paid the FY 2015-16 unfunded accrued liability portion as a lump sum payment last year.

The FY 2016-17 required employer contribution determined by the CalPERS actuarial valuation is summarized in the following table:

#6.

Selection of the Annual Lump Sum Prepayment Option for Unfunded Accrued Liability to CalPERS for Fiscal Year 2016-17 June 15, 2016 Page 2 of 2

Tier	1	2	3
Normal Cost Rate	10.771%	9.846%	7.066%
Unfunded Accrued Liability	\$628,505	\$2,019	\$1,563

#### **DISCUSSION:**

CalPERS offers two options for employers to pay the unfunded accrued liability:

Option 1: Lump sum pre-payment of \$632,087

Option 2: Monthly payments of \$54,614 (total for 12 months = \$655,362)

If the District elects Option 1, the lump sum pre-payment must be received in full by CalPERS on or before July 31, 2016 and would save the District \$23,275.



#### STAFF REPORT

TO: Board of Directors MEETING DATE: June 15, 2016

FROM: Trevor Agrelius, Controller

SUBJECT: General Obligation Bond Tax Rates for Fiscal Year 2016-17

**DIVISION:** District-wide

#### **SUMMARY:**

<u>Issue</u>: Requesting approval of the Fiscal Year 2016-17 General Obligation Bond Tax Rates.

<u>Recommendation:</u> It is recommended that the Board of Directors approve the resolution entitled, "Setting Tax Rates for Outstanding General Obligation Bonds of Improvement Districts for Fiscal Year 2016-17".

<u>Fiscal Impact</u>: Revenues collected from taxable property within Improvement Districts No. 6 and 7 are used to pay for voter approved District debt.

#### **BACKGROUND:**

Since its inception in 1960, the District has formed multiple improvement districts to provide major water distribution facilities and wastewater collection, treatment and disposal facilities services within their respective boundaries. Through consolidations and annexations, the District now contains 6 operational improvement districts, Improvement District Nos. 1, 2, 3, 6, 7 and 8. A map of the improvement districts is attached. Improvement District Nos. 6 and 7 are the only improvement districts that currently have debt outstanding. The voters in Improvement District 6 have authorized \$140 million of water and sewer bonds, of which \$63 million have been sold and \$5 million is outstanding. The voters in Improvement District 7 have authorized \$27 million of water and sewer bonds, of which \$20 million have been sold and \$6 million is outstanding.

**#7.** 

General Obligation Bond Tax Rates for Fiscal Year 2016-17 June 16, 2016 Page 2 of 2

#### **DISCUSSION:**

The District calculates the amount of money necessary to be raised by taxation upon the taxable property within each Improvement District and estimates the tax rate to be levied.

Each year, the Board of Directors must adopt by Resolution the District's required revenue for each Improvement District and estimated tax rate for the following year. For Fiscal Year 2016-17 the required revenue and estimated tax rates are as follows:

Improvement District No.	Required Revenue	<b>Estimated Tax Rate</b>
6	\$398,313	0.00838%
7	\$1,489,694	0.09595%

#### Attachments:

- 1. Resolution Setting Tax Rates for Outstanding General Obligation Bonds of Improvement Districts for Fiscal Year 2016-17.
- 2. Computation of the Improvement District No. 6 and ID No. 7 tax rates for Fiscal Year 2016-17.
- 3. Map of the Improvement Districts.

#### RESOLUTION NO. 16-\_\_\_

# RESOLUTION OF THE BOARD OF DIRECTORS OF MOULTON NIGUEL WATER DISTRICT SETTING TAX RATES FOR OUTSTANDING GENERAL OBLIGATION BONDS OF IMPROVEMENT DISTRICTS FOR FISCAL YEAR 2016-17

WHEREAS, the Board of Directors of MOULTON NIGUEL WATER DISTRICT (sometimes the "District" herein) has considered the financial needs of the MOULTON NIGUEL WATER DISTRICT and its' IMPROVEMENT DISTRICT NOS. 6 and 7 for the 2016-17 Fiscal Year for payment of outstanding bonded indebtedness of such improvement districts, and the funds available and estimated to become available for meeting said financial needs; and

**WHEREAS**, pursuant to Section 37206 of the Water Code of the State of California, the Board of Directors of the District shall furnish to the Board of Supervisors of the County of Orange and the Auditor of the County of Orange an estimate in writing of the amount of money needed to be raised by the District during the 2016-17 Fiscal Year for the payment of outstanding voter approved general obligation bonded indebtedness of the District's improvement districts for the 2016-17 Fiscal Year.

**NOW, THEREFORE,** the Board of Directors of MOULTON NIGUEL WATER DISTRICT does hereby resolve, determine and order as follows:

**Section 1.** That the amount of money necessary to be raised by ad valorem assessments upon the taxable property (land only) within the IMPROVEMENT DISTRICT NO. 6 of MOULTON NIGUEL WATER DISTRICT as revenue to pay the voter approved indebtedness for said improvement district for the 2016-17 Fiscal Year is the sum of \$398,313. The estimated tax rate to be levied shall be .0000838 percent (.00838%) per \$100 of taxable land value. The tax rate herein is levied pursuant to Section 93 and 93.61 (a)(l) of the Revenue and Taxation Code for the purpose of paying voter approved indebtedness of the MOULTON NIGUEL WATER DISTRICT for IMPROVEMENT DISTRICT NO. 6.

**Section 2**. That the amount of money necessary to be raised by ad valorem assessments upon the taxable property (land only) within the IMPROVEMENT DISTRICT NO. 7 of MOULTON NIGUEL WATER DISTRICT as revenue to pay the voter approved indebtedness for said district for the 2016-17 Fiscal Year is the sum of \$1,489,694. The estimated tax rate to be levied shall be .0009595 percent (.09595%) per \$100 of taxable land value. The tax rate herein is levied pursuant to Section 93 and 93.61 (a) (l) of the Revenue and Taxation Code for the purpose of paying voter approved indebtedness of the MOULTON NIGUEL WATER DISTRICT for IMPROVEMENT DISTRICT NO. 7.

**Section 3.** That the Secretary and Acting Treasurer of the District are hereby requested to furnish a certified copy of this Resolution to the Auditor of the County of Orange.

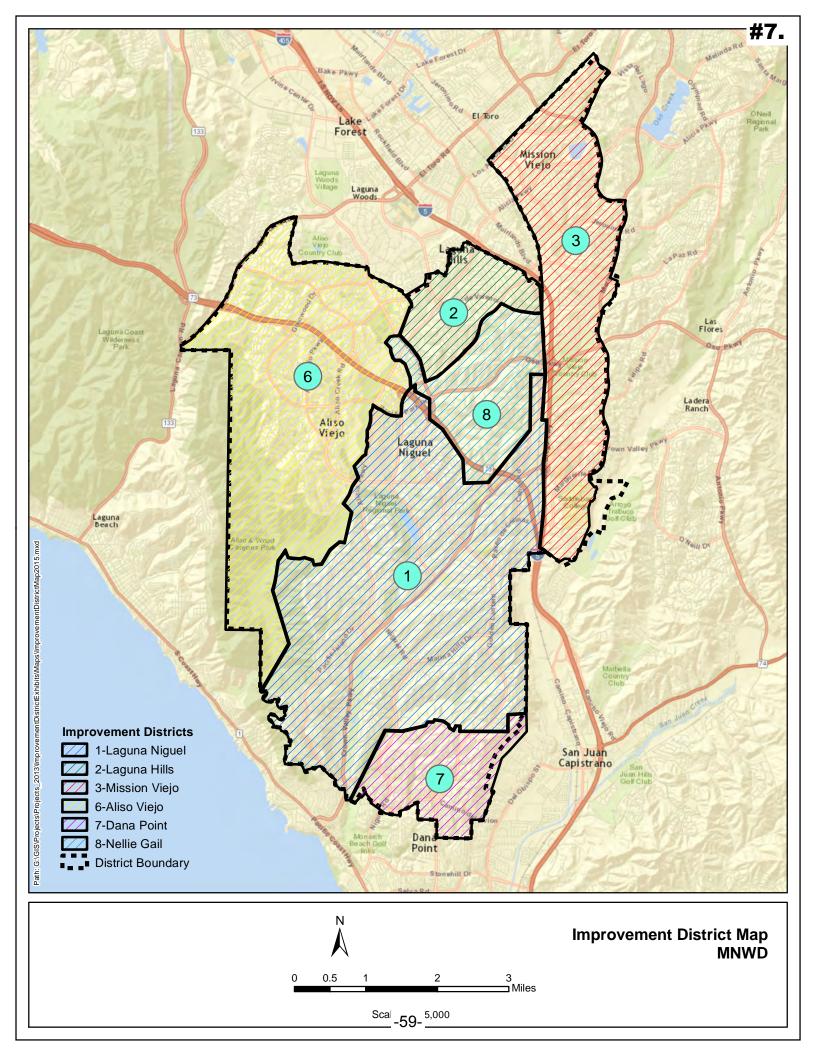
APPROVED, ADOPTED and SIGNED this 16th day of June, 2016.

#### MOULTON NIGUEL WATER DISTRICT

Ву	:
•	President
	MOULTON NIGUEL WATER DISTRICT and of the Board of Directors thereof
Ву	:
	Secretary
	MOULTON NIGUEL WATER DISTRICT and of the Board of Directors thereof

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Tax Rate Calculation	<u>ID #6</u>	<u>ID #7</u>	<u>Total</u>
Total Debt Service for FY 2016-17	4,986,400	1,379,500	6,365,900
Plus 5% Delinquency Factor	249,320	68,975	318,295
Less: Estimated Interest Earnings	(81,678)	(22,597)	(104,275)
Less: Prior year's taxes available	(4,755,729)	63,816	(4,691,913)
Total Assessment Requirement for 2016-17	\$ 398,313	\$ 1,489,694	\$ 1,888,007
Secured Assessed Value - Estimated	4,752,804,412	1,552,565,358	6,305,369,770
Full Value Tax % Percentage	0.00838%	0.09595%	0.10433%





#### STAFF REPORT

TO: Board of Directors MEETING DATE: June 15, 2016

FROM: Trevor Agrelius, Controller

SUBJECT: Annual Gann Appropriations Limit for Fiscal Year 2016-17

**DIVISION:** District-wide

#### **SUMMARY:**

Issue: Requesting approval of the Fiscal Year 2016-17 Gann Limit.

<u>Recommendation:</u> It is recommended that the Board of Directors approve the resolution entitled, "Approving Appropriations Limit for Fiscal Year 2016-17 and Finding Compliance with Article XIIIB of the Constitution of the State of California."

Fiscal Impact: None.

#### BACKGROUND:

In November 1979, the voters of the State of California approved Proposition 4, commonly known at the "Gann Initiative" or "Gann Limit". The Proposition created Article XIIIB of the State Constitution placing limits on the amount of tax revenue which can be received and allocated within a given year by public agencies, including many Special Districts. Division 9 of Title 1, beginning with Section 7900 of the Government Code, was then added to law to specify the process for calculating state and local government appropriation limits and appropriations subject to limitation under Article XIIIB of the Constitution. These constitutional and statutory sections explain and define the appropriations limit and appropriations subject to limitation as they apply to state and local government, and require that each entity of government formally "adopt" its Appropriations Limit for a given fiscal year.

#### **DISCUSSION:**

Fiscal Year 1978-79 appropriations serve as the base for this limit, with adjustments being made annually to reflect increase in population and the cost of living. Only tax

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Annual Gann Appropriations Limit for Fiscal Year 2016-17 June 15, 2016

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proceeds are subject to the limit. Charges for services, regulatory fees, grants, loans, donations and other non-tax proceeds are not subject to the limit. Each year the Board of Directors must adopt by Resolution the District's Appropriations Limit for the following year. For Fiscal Year 2016-17 the Appropriations Limit is calculated to be \$7,552,566.

This requirement limits the tax revenues that can be used for growth of public agencies based on the calculated amount subject to the limit. The Appropriations Limit is calculated using the Price and Population Information letter submitted from the State of California Department of Finance each May. There are two items that impact the Appropriation Limit Calculation contained in that letter. The first is the change in the cost of living factor, or Per Capita Personal Income, which was 5.37% for FY 16/17. The second item is the Increase in Population, which was 0.99% for FY 16/17. Both of these items can be found in attachment 2 "Computation of the Appropriation Limit for Fiscal Year 2016-17."

#### Attachments:

- Resolution Approving Appropriations Limit for Fiscal Year 2016-17 and Finding Compliance With Article XIIIB of the Constitution of the State of California
- 2. Computation of the Appropriation Limit for Fiscal Year 2016-17

#### **RESOLUTION NO. 16-\_\_\_**

# RESOLUTION OF THE BOARD OF DIRECTORS OF THE MOULTON NIGUEL WATER DISTRICT APPROVING ITS APPROPRIATIONS LIMIT FOR FISCAL YEAR 2016-17 AND FINDING COMPLIANCE WITH ARTICLE XIIIB OF THE CONSTITUTION OF THE STATE OF CALIFORNIA

**WHEREAS**, the Board of Directors of the Moulton Niguel Water District (MNWD) has reviewed the financial affairs of MNWD and has reviewed the proposed Budget for the Fiscal Year 2016-17; and

**WHEREAS**, the Board of Directors desires to establish an Appropriations Limit for Fiscal Year 2016-17 for the purpose of complying with Article XIIIB of the Constitution of the State of California. Said calculations have been posted at MNWD's offices and made available to the public at least 15 days prior to the adoption of this Resolution; and

**WHEREAS**, the Board of Directors desires at this time to approve its Budget for the Fiscal Year 2015-16, as well as its Appropriations Limit for said Fiscal Year 2016-17;

**NOW, THEREFORE,** the Board of Directors of MNWD does RESOLVE, DETERMINE, and ORDER as follows:

<u>Section 1.</u> That an Appropriations Limit of \$7,552,566 be and the same hereby is established as the limit to which funds derived from proceeds of taxes may be appropriated during the Fiscal Year 2016-17.

Section 2. That the Budget for the Fiscal Year 2016-17 be and the same hereby is approved by this Board of Directors which Budget is on file with the Treasurer of MNWD and is by this reference incorporated herein.

Section 3. That the Treasurer of MNWD be and the same is hereby authorized to file copies of said Budget with such other public agencies as may be necessary. Pursuant to Government Code Section 7910, any judicial action or proceeding to attach, review, set aside, void, or annul the establishment of the appropriations limit as set forth herein must be commenced within 45 days of the adoption of this Resolution.

### **ADOPTED, SIGNED and APPROVED** this 16<sup>th</sup> day of June, 2016.

#### MOULTON NIGUEL WATER DISTRICT

President/Vice President
MOULTON NIGUEL WATER DISTRICT
and of the Board of Directors thereof

Secretary/Assistant Secretary
MOULTON NIGUEL WATER DISTRICT
and of the Board of Directors thereof

## MOULTON NIGUEL WATER DISTRICT Permitted Growth Rate in Appropriations for 2016/17

Appropriation Limitation 2015/16

\$7,097,398

Increase In CA Per Capita Personal Income

Increase In Population Orange County

Change Ratio 1.0537 x 1.0099 1.0641

Appropriations Limitation for 2016-17 \$7,552,566



#### **STAFF REPORT**

TO: Board of Directors MEETING DATE: June 15, 2016

FROM: Joone Lopez, General Manager

**Drew Atwater, Water Resources Manager** 

**SUBJECT: Adoption of Updated Capacity Fees** 

**DIVISION: District-wide** 

#### **SUMMARY:**

<u>Issue</u>: The current capacity fees need to be updated to be consistent with the fair cost to access the existing water and wastewater infrastructure.

<u>Recommendation</u>: It is recommended that the Board of Directors adopt the resolution entitled, "Adopting Water and Wastewater Capacity Charges".

<u>Fiscal Impact</u>: Future Capacity Fee revenue is expected to increase based on planning forecasts, actual revenues will be dependent on the implementation of new development projects.

#### Background:

The District's current capacity fee schedule was last updated in the early 1980s. Capacity fees are subject to Proposition 26 and California Government Code 66013. It is prudent for public agencies to have an administrative record to support capacity fees due to the legal requirements to have the fees be fair, reasonable, and based on the benefits new development receives from the District's facilities. Best practices based on the District being largely built out support the AWWA M1 method for capacity fee development based on the "buy-in" method where new development pays for their fair and reasonable share of current District assets less depreciation.

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Adoption of Updated Capacity Fees June 15, 2016 Page 2 of 2

#### **Discussion:**

The District team consisted of internal staff, rate consultants and legal counsel to support the development of the new capacity fee schedule. The District engaged Raftelis Financial Consultants to support staff in developing an updated capacity fee schedule. Additionally, Kelly Salt from Best Best & Krieger has reviewed the approach and final recommendation. As part of the District's outreach efforts, District staff engaged early and often with the Orange County Builder's Industry Association (BIA) to keep developers updated on the study and notify them of proposed fee changes.

Staff presented the resulting fees at the May Finance and Information Technology Board Meeting. The proposed fee schedule includes capacity fees based on the replacement cost of water and sewer assets less any depreciation to provide the nexus between benefit and use of the facilities. Additionally, a demand offset fee is up for discussion in the upcoming months to provide a financial mechanism for new development to "offset" their new outdoor potable water demands through investment in converting new recycled water customers. Staff recommends that the Board adopt the proposed fee schedule which is included in the attached resolution.

#### Attachment:

- A Resolution of the Board of Directors of the Moulton Niguel Water District Adopting Water and Sewer Capacity Charges
- 2. Water, Wastewater Capacity Fee and Recycled Water Demand Offset Fee Report

#### RESOLUTION NO. \_\_\_\_

## RESOLUTION OF THE BOARD OF DIRECTORS OF THE MOULTON NIGUEL WATER DISTRICT ADOPTING WATER AND WASTEWATER CAPACITY CHARGES

**WHEREAS**, the Board of Directors of the Moulton Niguel Water District ("District") is a California Water District organized and operating pursuant to the California Water Code Section 34000, *et seq.*; and

WHEREAS, pursuant to California Government Code section 66013, the District is authorized to impose water and sewer capacity charges for public facilities in existence at the time the charge is imposed or for new facilities to be acquired or constructed in the future that are of proportional benefit to the person or property being charged, including supply or capacity contracts for rights or entitlements, real property interests, and entitlements and other rights of the District involving capital expense relating to its use of existing or new public facilities (collectively "Capacity Charges"); and

**WHEREAS**, the District retained Raftelis Financial Consultants, Inc., to prepare a study to determine the appropriate rates for the District's Capacity Charges; and

WHEREAS, the District wishes to adjust the rates for its Capacity Charges; and

WHEREAS, the District Board of Directors has determined that: (1) its proposed Capacity Charges do not exceed the estimated reasonable cost of the services and facilities for which the Capacity Charges will be imposed; and (2) the allocation of those costs are fair or reasonable in relationship to the burdens on, or benefits that those who pay Capacity Charges will receive from such services and facilities; and

**WHEREAS,** the proposed Capacity Charges will be imposed on any property or any person requesting a new, additional, or larger connection to the District's potable water or wastewater system.

**NOW, THEREFORE, BE IT RESOLVED** that the Board of Directors of the Moulton Niguel Water District does hereby:

**SECTION 1.** <u>Incorporation of Recitals</u>: The Recitals set forth above are incorporated herein, are made findings and determination of the Board of Directors, and are an operative part of this Resolution.

#### **SECTION 2.** CEQA Compliance:

(a) The District, as lead agency under the California Environmental Quality Act ("CEQA"), has evaluated the potential environmental impacts of adopting the Capacity Charges. As the decision making body for the District, the Board of Directors has reviewed and

### #9.

considered the information contained in the administrative record for the adoption of the Capacity Charges.

- (b) The Board of Directors finds that the Capacity Charges are intended to fund as-yet unknown, future projects, programs, and capital improvement projects related to the District's need to finance capital improvements to provide infrastructure for new development and to provide equity between new development and existing customers. These fees do not commit the District to approve any particular project, program, or capital improvement, but will be placed in a separate fund for potential future projects. These Capacity Charges are in response to the District's projected need for additional facilities and infrastructure to provide services to its existing customers and new development. Any activities, including infrastructure improvements, to be funded by these Capacity Charges will be subject to future environmental review under CEQA, as applicable, prior to District approval.
- subject to environmental review under CEQA. First, the Capacity Charges, in and of themselves, do not have the potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment and therefore are not considered a "project" under CEQA. (Pub. Resources Code, § 21065, 14 Cal. Code Regs., § 15378, subd. (a).) Second, the Capacity Charges are covered by the general rule that CEQA applies only to projects which have the potential for causing a significant effect on the environment; here, there is no possibility that the Capacity Charges, in and of themselves, may have a significant effect on the environment. (14 Cal. Code Regs., § 15061, subd. (b)(3).) And third, the Capacity Charges are considered a government funding mechanism that do not involve any commitment on behalf of the District to any specific project which may result in a potentially significant physical impact on the environment. (14 Cal. Code Regs., § 15378, subd. (b)(4).)
- (d) The Board of Directors has considered any comments received at the public meeting on May 18, 2016, prior to adoption of this Resolution.
- (e) The determination that the Capacity Charges are not subject to CEQA review reflects the Board of Directors' independent judgment and analysis.
- (f) The documents and materials that constitute the record of proceedings on which these findings have been based are located at 27500 La Paz Road Laguna Niguel, CA 92677-3489. The custodian for these records is the Secretary of the Board of Directors of the District.
- **SECTION 3.** Capacity Charges: The Board hereby adopts the Capacity Charges at the rates specified in the Attachment "A". The Capacity Charges shall be imposed on any person who submits an application to (1) make a new or additional connection to the District's potable water system or wastewater system: or (2) expand an existing connection to the District's water or wastewater system. The water and wastewater capacity fees were determined based on the AWWA hydraulic capacity factor equivalent meter units.

**SECTION 4.** <u>Inconsistency with other Fees or Charges</u>: To the extent that the Capacity Charges established by this Resolution are inconsistent with any fees or charges, including prior water or wastewater capacity charges, previously adopted, it is the explicit intention of the Board of Directors of the District that the Capacity Charges adopted in this Resolution shall prevail.

**SECTION 5.** <u>Severability</u>: If any section, subsection, clause or phrase in this Resolution or the application thereof to any person or circumstances is for any reason held invalid, the validity of the remainder of this Resolution or the application of such provisions to other persons or circumstances shall not be affected thereby. The Board hereby declares that it would have passed this Resolution and each section, subsection, sentence, clause, or phrase thereof, irrespective of the fact that one or more sections, subsections, sentences, clauses or phrases or the application thereof to any person or circumstance be held invalid.

**SECTION 6.** <u>Implementation</u>: The General Manager of the District is hereby authorized and directed to take all actions necessary to implement the new rates for the Capacity Charges effective July 1, 2016 and to file a Notice of Exemption for the Fees with the County Clerk for the County of Orange within five working days of the date of the adoption of this Resolution.

**SECTION 7.** Effective Date of Resolution. This Resolution shall take effect immediately upon its adoption.

**ADOPTED, SIGNED** and **APPROVED** this 16<sup>th</sup> day of June, 2016.

#### MOULTON NIGUEL WATER DISTRICT

President/Vice President
MOULTON NIGUEL WATER DISTRICT
and of the Board of Directors thereof

Secretary/Assistant Secretary MOULTON NIGUEL WATER DISTRICT and of the Board of Directors thereof

STATE OF CALIFORNIA )	
) ss. COUNTY OF ORANGE )	
I, PAIGE GULCK, Secretary of the I	Board of Directors of the MOULTON NIGUEL
WATER DISTRICT, do hereby certify that	at the foregoing is a full, true, and correct copy of
Resolution No of said Board and the	at the same has not been amended or repealed.
Dated this, 20	016.
	Paige Gulck Secretary
	MOULTON NIGUEL WATER DISTRICT and of the Board of Directors thereof

# **Moulton Niguel Water District**

Water, Wastewater Capacity Fee and Water Demand Offset Fee Report

June 2016





June 03, 2016

Mr. Drew Atwater Water Resources Manager Moulton Niguel Water District 27500 La Paz Road Laguna Niguel, CA 92677

Subject: Water and Wastewater Capacity Fee and Water Demand Offset Fee Report

Dear Mr. Atwater:

Raftelis Financial Consultants, Inc. (RFC) is pleased to present this report on water and wastewater capacity fees and water demand offset fees to the Moulton Niguel Water District (District). Our recommendations are based on sound principles and defensible methodologies, and we are confident that our resulting fees are fair and equitable since the resulting fees are reflective of the current value and use of each system.

We have enjoyed the opportunity to assist you on this project. Should you have any questions or comments regarding this report, feel free to contact me at (626) 583-1894.

Sincerely,

RAFTELIS FINANCIAL CONSULTANTS, INC.

Sudhir Pardiwala Executive Vice President Steve Gagnon Sr. Consultant

Moulton Niguel Water District

#### 1. Executive Summary

This document outlines the purpose of capacity fees, as well as the methodologies and rationale behind implementing capacity fees. This executive summary provides a brief summary of these topics and the results of the study.

#### Economic and Legal Framework

Capacity fees are imposed on new customers connecting to the District's water, wastewater and recycled water systems. The purpose of a capacity fee is to charge new customers for the cost of the facilities required to provide service. Capacity fees reimburse existing customers for their past capital investment which existing customers have funded through payment of monthly fees which include capital costs and debt service payments. This way all customers have contributed to the construction costs of capital facilities.

The legal grounds for establishing capacity fees are established in Government Code Sections 66013, 66016, 66022, and 66023. Per Section 66013, capacity fees imposed by a city "shall not exceed the estimated reasonable cost of providing the service for which the fee or charge is imposed..."

#### **Approach**

There are several different methodologies to calculate capacity fees. The two that are most prevalent are the **buy-in** approach and the **incremental cost** approach. The buy-in approach is most appropriate for agencies that are already mostly built-out. It ensures that new customers pay the cost of the existing facilities. By contrast, the incremental cost approach is most appropriate for agencies anticipating construction of new facilities to meet new demand. The costs of the new facilities are distributed to customers based on their expected utilization of the new plant's capacity. Both methodologies ensure that "growth pays for growth."

RFC has utilized the buy-in approach to determine the capacity fees for the District since it does not anticipate expanding water and wastewater facilities for new users in the near term. Essentially new users are "buying-into" the current system as is. In other words, paying the replacement cost less depreciation recognizing system wear. We have used the capacity provided by the recycled water system which would help offset potable demand, and the replacement cost of the current recycled system to determine the water demand offset fee. The recycled system would need to be expanded to meet future demand and using the replacement cost of the current system provides a reasonable expansion cost.

#### Buy-in Approach Calculation

RFC first calculated the City's water, wastewater and recycled water system asset value using Replacement Cost Less Depreciation (RCLD) for water and wastewater assets and Replacement Cost (RC) for the recycled water system. To complete the system valuation, RFC added capital project costs identified for fiscal year ending 2017 and 2018 for each system. We then subtracted the outstanding debt principal and subtracted estimated developer contributed capital costs for the water and wastewater system.



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#### Water, Wastewater Capacity Fee and Water Demand Offset Fee Report

**Moulton Niguel Water District** 

We then divided the net asset value for each system by the equivalent meter units (EMUs) for water and wastewater and the historical three year average recycled water use for recycled water. The EMUs are calculated using the District's current meter counts and are multiplied by the hydraulic capacities from the American Water Works Association Manual M22, *Sizing Water Lines and Meters*, and normalized using a 1" meter as the standard meter.

Table 1 shows the resulting water and wastewater capacity fees and water demand offset fee.

Table 1: Water and Wastewater Capacity Fees and Water Demand Offset Fee

Utillity	Capacity Fee
Water (1 inch meter)	\$2,405
Wastewater (1 inch water meter)	\$1,597
	Water Demand Offset Fee
Recycled Water	
Residential (per 1,000 Sq. Ft. of Irrigable Area)	\$1,479
Non-Residential (per 1,000 Sq. Ft. of Irrigable Area)	\$1,210

The proposed fees are higher than the current capacity fees – which are \$700 each for the water and wastewater systems for new customers within the City of Laguna Niguel and \$600 each for water and wastewater in other areas the District's serves. RFC does not have knowledge of how the prior capacity fees were derived. The District currently does not have a water demand offset fee and wants to implement the fee to provide equity through ensuring new customers pay to maintain the existing level of reliability in the system.



#### Water, Wastewater Capacity Fee and Water Demand Offset Fee Report Moulton Niguel Water District

#### 2. Introduction

The District engaged RFC to develop updated capacity fees for the water and wastewater systems and a water demand offset fee. Capacity fees are a one-time capital charges imposed on new customers that need to pay for the facilities needed to provide water and wastewater service. Water demand offset fees are required to provide water supply to meet the demands of new customers. Per California Government Code Section 66013, the fees "shall not exceed the reasonable cost of providing service." Therefore the fees need to reflect the estimated cost of existing or additional system capacity needed to serve them. Other common terms for capacity fees are connection fees, impact fees, system development charges, development impact fees, and capital facility charges.

The District's currently charges a capacity fee for connection to and therefore use of capacity in the water and wastewater systems. The fee is charged to new customers or those customers requesting additional capacity compared to their current allocated capacity. The current capacity fee is \$700 each for the water and wastewater systems per dwelling unit within the City of Laguna Niguel. Outside the City of Laguna Niguel the current capacity fee is \$600 each for the water and wastewater systems per dwelling unit. The District does not currently charge a water demand offset fee.

The current capacity fees were determined many years ago and do not reflect the current value of each utility and are calculated using equivalent dwelling units. The District desired to use the commonly used equivalent meters as a basis for charging capacity fees as this data was accurate and readily available. The proposed capacity fees reflect the current value of the water and wastewater systems, and the water demand fee represents the cost of acquiring new sources of water (the new water source being potable water that would be used for irrigation can now be used for others purposes as customers connect to the recycled water system). The proposed fees are based on the current system valuation as described in Section 4 providing the nexus required by California Government Code Section 66013.



Moulton Niguel Water District

#### 3. Capacity Fee Economic and Legal Framework

For publicly owned utilities, capital facilities are often funded by existing customers through (monthly or bimonthly) rate and charge revenue. As new customers connect to the system, the excess capacity in the existing utility, funded by rate revenue from previous/existing customers, is available to new customers. Existing customers' investment in the existing system capacity allows newly connecting customers to take advantage of unused surplus capacity. Through the implementation of capacity fees, new customers repay the cost of existing system capacity they need to existing customers - so that existing customers are not subsidizing capital costs for new customers. This effectively puts new customers on par with existing customers regarding the capital costs to build the utility. In other words, the new users are buying into the existing system by repaying existing customers for their prior investment.

#### **Economic Basis**

The economic philosophy behind capacity fees is that water and wastewater capital facility costs should be paid for by those using the utility. In order to fairly distribute these costs, the capacity fee should reflect the cost to provide capacity to new users, and not unduly burden existing users. Accordingly, many utilities make this philosophy one of their primary guiding principles when developing their capacity fee structure.

The philosophy that those using the capacity should pay for the cost of capacity is often referred to as "growth-should-pay-for-growth." The principal is summarized in the American Water Works Association (AWWA) *Manual M1, Principles of Water Rates and Charges* in the Section on System Development Charges.

#### Legal Framework<sup>1</sup>

The District has authority to price and implement water and wastewater capacity fees and water demand offset fees. The most salient limitation on this authority is the requirement that recovery costs on new development bear a reasonable relationship to the needs and benefits brought about by the development. Courts have long used a standard of reasonableness to evaluate the legality of capacity fees. The basic statutory standards governing water and wastewater capacity fees are embodied by Government Code Sections 66013, 66016, 66022 and 66023. Government Code Section 66013, in particular, contains requirements specific to pricing water and wastewater capacity fees:

"Notwithstanding any other provision of law, when a local agency imposes fees for water connections or sewer connections, or imposes capacity charges, those fees or charges shall not exceed the estimated reasonable cost of providing the service for which the fee or charge is imposed, unless a question regarding the amount the fee or charge in excess of the estimated reasonable cost of providing the services or materials is submitted to, and approved by, a popular vote of two-thirds of those electors voting on the issue."

<sup>&</sup>lt;sup>1</sup> RFC does not practice law nor does it provide legal advice. The above discussion is to provide a general review of apparent state institutional constraints and is labeled "legal framework" for literary convenience only. The City should consult with its counsel for clarification of any of the topics discussed in this section.



Moulton Niguel Water District

Section 66013 also includes the following general requirements:

- Local agencies must follow a process set forth in the law, making certain determinations
  regarding the purpose and use of the fee; they must establish a nexus or relationship between a
  development project and the public improvement being financed with the fee.
- The capacity fee revenue must be segregated from the general fund in order to avoid commingling of capacity fees and the general fund.

#### 4. Methodology

There are several methodologies for calculating capacity fees. The various approaches have evolved largely around the basis of changing public policy, legal requirements, and the unique and special circumstances of each local agency. However, there are three general approaches that are widely accepted for capacity fees. They are the "buy-in", "incremental-cost", and "hybrid" approaches.

#### Buy-In Method

The buy-in approach rests on the premise that new customers are entitled to service at the same price as existing customers. However, existing customers have already developed the facilities that will serve new customers, including the costs associated with financing those services. Under this approach, new customers pay an amount equal to the net investment made by existing users. The value of the net investment is divided by the current demand of the system –in the District's case the number of equivalent meters for water and wastewater<sup>2</sup> – to determine the new capacity fee.

For instance, if an existing system has 100 units of equivalent capacity<sup>3</sup> and a new customer desires one equivalent unit, then the new customer would pay 1/100th of the total existing system value. By paying the capacity fee, the new customer has bought into the existing system – thus the term buy-in for this methodology. The user has effectively acquired a financial position on par with existing customers and will face future capital challenges on equal financial footing with existing customers. This approach is suited for agencies that have capacity in their existing system and are essentially close to full build-out.

#### Incremental Cost Method

When new users connect to a utility system, they use either surplus capacity from the existing system, or they require construction of new capacity to accommodate their needs. Under the incremental-cost approach, new customers pay for the cost of additional capacity regardless of the value of past investments made by existing customers.

For instance, if it costs X dollars to provide 100 additional units of equivalent capacity and a new connector uses one of those equivalent units, then the new user would pay \$X/100 to connect to the system. In other words, a new customer pays the incremental cost of capacity – thus the term incremental cost for this methodology. As with the equity buy-in approach, new connectors will

 $<sup>^3</sup>$  Equivalent capacity for the District is defined as the capacity that would be used by a 1 inch water meter



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<sup>&</sup>lt;sup>2</sup> For the recycled water system the divisor is the average of the past three year's recycled water use.

#### #9.

#### Water, Wastewater Capacity Fee and Water Demand Offset Fee Report

**Moulton Niguel Water District** 

effectively acquire a financial position that is on par with existing customers. This approach is best suited for growing communities where additional facilities are needed to accommodate growth.

#### Hybrid Method

In addition to the above two methodologies, there is also a hybrid approach which entails using aspects of both the incremental cost approach and the buy-in approach. This is appropriate when agencies have some existing reserve capacity available yet are also in the process of planning or building additional capacity. The fee produced by the hybrid approach recognizes that new customers benefit from both existing infrastructure and planned capital improvements.

#### 5. Capacity Fee and Water Demand Offset Fee Calculation

#### Capacity Fee Methodology

The District elected to use the buy-in approach to calculate water and wastewater capacity fees since there is enough capacity in the water and wastewater systems. The buy-in approach takes the water and wastewater system value (separately) and divides by each system's current potential demand as represented by the total Equivalent Meter Units.

#### **Utility System Valuation Methodology**

RFC and District staff chose Replacement Cost Less Depreciation (RCLD) to value the water and wastewater systems. RCLD is commonly used and often preferred to alternative methods such as Original Cost Less Depreciation (OCLD), Original Cost (OC), and Replacement Cost (RC) because of its defensibility. In most cases – barring, for example, instances of water and wastewater systems that have depreciated significantly due to lack of replacement and repair – RCLD is more defensible because the replacement cost: 1) is inflation-adjusted and thus recovers the cost of replacing that capacity in current dollars; and 2) accounts for depreciation and thus addresses the fact that the system is not new and equipment and facilities have depreciated in value.

In addition to the investments made to maintain the existing system infrastructure, the District has also made significant investments to provide long-term supply reliability for its customers. To ensure that future development does not reduce the reliability that current customers have funded, the District plans to expand the recycled water system so that the existing potable water used for irrigation can be converted to recycled water therefore freeing up potable water. Because recycled water use will be expanded to maintain its reliability, the incremental cost method is appropriate. The replacement cost of the District's existing recycled water system provides a good estimate of the expansion costs for a recycled water system of a similar size to the current system. For the recycled water system, RFC and District staff chose Replacement Cost (RC) to value the recycled water system since the replacement cost represents the estimated cost to construct a system (of the same size and materials) today. The District would like to charge a water demand offset fee – which is similar to a capacity fee in which the incremental cost of additional water supply is isolated and divided by the marginal capacity. We are using a surrogate for the incremental cost of additional recycled water supply by using the current replacement cost of the recycled water system.



Moulton Niguel Water District

#### **Utility System Value**

Pipelines (Lines 1 and 2 in Table 4)

The District provided a pipeline database which included year of installation, pipeline material, diameter and length. RFC valued each segment using estimated replacement cost - which is a function of the material and diameter of the pipe. We obtained the replacement costs by diameter and material from the District's October 2003 Replacement Planning Model (RPM). The 2003 replacement costs from the RPM were adjusted for inflation using the 20 City Engineering News Record Construction Cost Index (ENR – CCI)<sup>4</sup>. RFC subtracted accumulated depreciation<sup>5</sup> for each pipe segment - which is a function of the pipe's age and useful life – to yield the RCLD for each pipe segment. Table 2 shows the assumed useful life for each type of pipeline material<sup>6</sup>. Note that the useful lives for recycled water pipe is not shown since we did not subtract depreciation for recycled water assets.

Table 2: Water and Wastewater Pipeline Useful Lives by Material

	•	•
	Water - Useful	Wastewater -
	Life	Useful Life
Pipeline Material	(Years)	(Years)
Asbestos Cement	100	75
Polyvinyl Chloride - Pressure	75	75
Concrete Cylinder Pipe	100	NA
Cast Iron	100	75
Cement Mortar Lined & Coated	100	100
Ductile Iron	100	75
High Density Polyethylene	75	75
Other	100	75
Steel	100	75
Permastrand	NA	75
Reinforced Concrete Pipe	NA	75
PVC - Gravity	NA	75
Vitrified Clay Pipe	NA	75

Treatment Plant and Administrative Assets (Lines 3 and 4 in Table 4)

The District provided original cost records for water, wastewater and recycled water plant assets and administrative assets (buildings, file servers, telephone system etc.) from the District's October 2003 RPM. RFC adjusted each asset's original cost using the 20 City ENR-CCI so that it reflects the replacement cost of the asset today. For water and wastewater (only), we then subtracted accumulated depreciation to yield the RCLD for each asset. Depreciation is a function of the asset's age and useful life. Table 3 shows the assumed useful life for the types of assets shown in the District's Replacement Planning Model.

<sup>&</sup>lt;sup>6</sup> Useful lives were taken from the District's Brown and Caldwell Replacement Planning Model



<sup>&</sup>lt;sup>4</sup> The 20 City Engineering News Record Construction Cost Index surveys construction cost inflation for 20 cities in the United States and creates one index reflecting the average increase in the 20 cities.

<sup>&</sup>lt;sup>5</sup> Depreciation was calculated assuming the straight line depreciation method

Moulton Niguel Water District

**Table 3: Asset Useful Lives** 

Asset Type	Useful Life (Years)
Building	60
Computer Equipment	4
Chlorine Generator Systems	15
Communication Equipment	7
General Equipment	10
Plant Instrumentation and Control	10
Intertie Equipment	50
Large Generators	25
Non-office Structures	75
O&M Support Equipment	12
Pumps	25
Plant Process Equipment	20
Reservoir Covers and Lines	20
Reservoirs - Concrete	100
Reservoirs - Steel	75
Transportation Equipment	8
Variable Frequency Drives	10
Valves (Large)	40

#### Capital Improvement Projects (Line 5 in Table 4)

Capital improvement projects (CIP) for fiscal years ending 2016 and 2017 were included in the valuation of the water and wastewater systems as the fees will be implemented in FY 17. The CIP is shown in line 5 of Table 4. The CIP for water and wastewater includes Districtwide CIP that was allocated to each utility in proportion to the value of the utilities. In other words, since water's assets comprise 38% of the total value of all three utilities (water, wastewater and recycled), we allocated 38% of the District wide CIP to the water utility.

#### Deductions (Lines 9 and 10 in Table 4)

RFC deducted the outstanding debt principal in line 9 of Table 4 since debt service is typically recovered through rates and charges. Including debt principal would double charge customers – once through the capacity fee and once through monthly rates and charges. RFC and District Staff also elected to subtract real estate developer contributed assets for the water and wastewater utilities in line 10. Contributed assets can be subtracted from the utility valuation since the District's Rules and Regulations require developers to build and dedicate facilities to connect to the existing system. RFC estimated the value of contributed assets, by assuming that all pipelines equal to or smaller than 8 inches were installed by real estate developers. We did not subtract pipelines of 8 inches or less for the water demand offset fee since we are using the estimated construction cost (replacement cost) of the total recycled water system as a surrogate for the incremental cost of the next 7,760 acre feet of capacity (line 14). Table 4 shows the final utility system valuations after deductions in line 12.



### Water, Wastewater Capacity Fee and Water Demand Offset Fee Report Moulton Niguel Water District

Table 4 - Summary of Net Assets Value

		Water - Replacement Cost Less	Wastewater - Replacement Cost Less	Recycled Water -
	Valuation Component	Depreciation	Depreciation	Replacment Cost
Line No.	(A)	(B)	(C)	(D)
1	Pipelines <= 8"	\$217,331,195	\$257,919,330	\$62,633,637
2	Pipelines > 8"	\$215,380,109	\$81,404,695	\$105,512,459
3	Plant Assets (up to 2003)	\$35,442,508	\$4,695,981	\$53,114,143
4	Admin Assets (up to 2003)	\$878,268	\$1,027,489	\$1,042,023
5	CIP <sup>1</sup>	\$22,833,461	\$33,887,627	\$6,581,144
6	Each Utility's Portion of Districtwide CIP	\$6,384,489	\$7,251,978	\$3,286,167
7	Subtotal Assets	\$498,250,030	\$386,187,100	\$232,169,572
8	Less:			
9	Outstanding Debt	\$78,989,750	\$5,455,300	\$11,505,550
10	Less Pipe with diameter <= 8"	\$217,331,195	\$257,919,330	\$0
11	Subtotal Deductions	\$296,320,945	\$263,374,630	\$11,505,550
12	Total Water System Valuation	\$201,929,085	\$122,812,470	\$220,664,022
13	Equivalent Meters	83,968	76,878	
14	Reycled Water Sales (Acre Feet)			7,760
15	Capacity Fee per Equivalent Meter / Demand Offset Fee per Acre Foot	\$2,405	\$1,597	\$28,437

<sup>&</sup>lt;sup>1</sup> Includes "Regional Projects" for Water

#### Capacity Fee Calculations (Line 15 in Table 4)

For water and wastewater, we calculate the capacity fee, for 5/8", ¾" and 1" meters, shown in line 15 of Table 4, by dividing each system's value (line 12) by the number of equivalent meters (line 13). The capacity fee for larger meters is derived in Table 6.

For recycled water, we divide the system's value (line 12) by recycled water sales<sup>7</sup> in acre feet<sup>8</sup> (line 14). Note however that the demand offset shown is per acre foot – the actual fee charged to customers, based on irrigated area, is derived in Table 7.

Table 5 shows the derivation of equivalent meters. The District provided total meter counts by meter size. RFC determined the number of equivalent meters by multiplying each meter size by American Water Works Association hydraulic capacity factors which equate the potential flow through larger size meters compared to the District's standard meter of 1 inch. The hydraulic capacity factors are shown in Table 5 along with the resulting total equivalent meters in line 12 of Table 5 and restated in line 13 of Table 4. The wastewater equivalent meters differ from the water equivalent meters because the wastewater equivalent meters exclude irrigation and no-sewer accounts.

<sup>&</sup>lt;sup>8</sup> An acre foot is equal to the volume of water that would cover an acre with a depth of 1 foot, or 43,560 cubic feet.



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<sup>&</sup>lt;sup>7</sup> We used the average of the last three years

**Moulton Niguel Water District** 

**Table 5 – Equivalent Meter Derivation** 

		AWWA				Wastewater
		Hydraulic	Water Meter	Wastewater	Water Equivalent	Equivalent
Line No.	Meter Size	Capacity Factor	Count	<b>Meter Count</b>	Meters	Meters
1	5/8"	1.0	114	3	114	3
2	3/4"	1.0	36,167	35,947	36,167	35,947
3	1"	1.0	11,923	11,569	11,923	11,569
4	1.5"	2.0	864	496	1,728	992
5	2"	3.2	3,727	2,087	11,926	6,678
6	2.5"	5.1	29	29	148	148
7	3"	7.0	82	68	574	476
8	4"	12.6	160	148	2,016	1,865
9	6"	28.0	318	317	8,904	8,876
10	8"	48.0	188	185	9,024	8,880
11 _	10"	76.0	19	19	1,444	1,444
12			53,591	50,868	83,968	76,878

Table 6 shows the water and wastewater capacity fees for all meter sizes which we determined by multiplying the fee for the 1 inch meter by the AWWA hydraulic capacity factor for each meter size.

**Table 6 – Water Capacity Fees by Meter Size** 

iabic	o mater ca	pacity i ces by inc	ici dize
	AWWA Hydraulic		
	Capacity	Water Capacity	Wastewater
Meter Size	Factor	Fee	Capacity Fee
5/8"	1.0	\$2,405	\$1,597
3/4"	1.0	\$2,405	\$1,597
1"	1.0	\$2,405	\$1,597
1.5"	2.0	\$4,810	\$3,195
2"	3.2	\$7,695	\$5,112
2.5"	5.1	\$12,265	\$8,147
3"	7.0	\$16,834	\$11,182
4"	12.6	\$30,301	\$20,128
6"	28.0	\$67,335	\$44,730
8"	48.0	\$115,432	\$76,680
10"	76.0	\$182,767	\$121,410

The water demand offset fee is based on releasing potable demand currently used for irrigation and is calculated by estimating the efficient irrigation demand of new customers. Table 7 shows the final calculation per 1,000 square feet of irrigated area in line 6. We derive the fee by multiplying the per acre foot cost in line 15 of Table 4 by line 4 in Table 7 and divide by line 5 to get the proper units. The fee is different for Residential and Non-Residential customers due to the different evapotranspiration factors from the 2016 Model Water Efficient Landscape Ordinance (MWELO). Evapotranspiration factors account for the amount and type of plants (water wise plants) as well as the type of irrigation



**Moulton Niguel Water District** 

systems used (efficient irrigation systems) consistent with the California Department of Water Resource's MWELO.

Table 7 - Recycled Water Demand Offset Fee Calculation

Line No.		Residential	Non-Residential
INO.		Residential	Non-Residential
1	Square Feet of Landscape Area	1,000	1,000
2	Model Water Efficient Landscape Ordinance Evapotranspiration Factor	0.55	0.45
3	Average Evapotranspiration for Moulton Niguel Service Area (feet) <sup>1</sup>	4.1	4.1
4	Water Demand (cubic feet / year / 1,000 sq. ft.) <sup>2</sup>	2,266	1,854
5	Cubic feet per Acre Foot	43,560	43,560
6	Water Demand Offset Fee per 1,000 Square Feet of Irrigated Area	\$1,479	\$1,210

<sup>&</sup>lt;sup>1</sup> The total evapotranspiration is based on the average annual evapotranspiration across all 118 micro-zones within the District's service area.

#### Annual Update

The District could update their water and wastewater system capacity fees annually. The easiest way to do this would be to multiply the yearly change in the Engineering News-Record Construction Cost Index (ENR-CCI), which tracks changes in construction costs. For example if the ENR –CCI for FYE 2018 is 6% higher than the ENR-CCI for FYE 2016, then the District could increase the capacity fees by 6%. This method of escalating the City's system capacity fees should be used for no more than four to five years. After four to five years, RFC recommends that the District update the fees based on the updated valuation of the District's infrastructure and new planned facilities that would be contained in an updated system plan or capital improvement plan. Note that the asset values were calculated using the 20-City CCI of 11,223 for 2016.



<sup>&</sup>lt;sup>2</sup> Water demand in line 4 is based on line 1 multiplied by line 2 multiplied by line 3. Additional digits beyond the tenths are the cause of the difference.

Moulton Niguel Water District

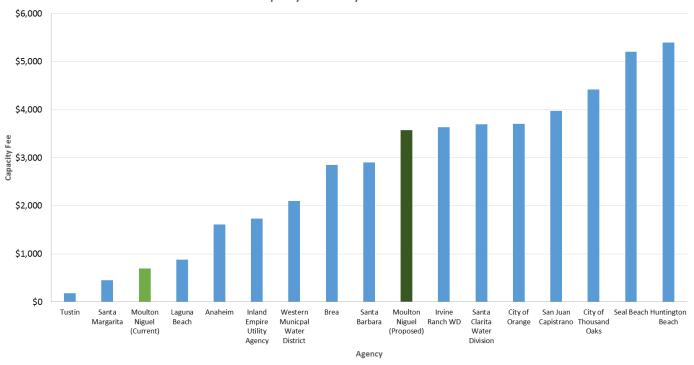
#### 6. Capacity Fee Comparison

RFC researched the capacity fees for surrounding agencies as a point of comparison. Note that the capacity fees for each agency are dependent on a number of factors including but not limited to the capacity fee methodology used, system age, topography, and number of customer connections. Figures 1 and 2 show a comparison of water and wastewater capacity fees, respectively. Note that Santa Margarita Water District collects a capital related charge through property tax bills to recover General Obligation Bond debt service which may contribute to its low capacity fee.

Margarita Water District collects a capital related charge through property tax bills to recover of Obligation Bond debt service which may contribute to its low capacity fee.

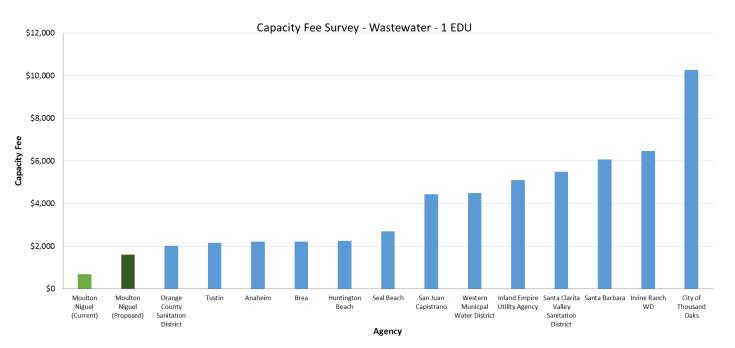
Figure 1 – Water Capacity Fee Survey

Capacity Fee Survey - 1" Meters





**Moulton Niguel Water District** 



**Figure 2- Wastewater Capacity Fee Survey** 

#### 7. Conclusion

RFC recommends that the District implement water and wastewater capacity fees and water demand offset fees that are reflective of the cost of providing service to new customers as shown in this report. The proposed water and wastewater fees are based on the cost to "buy-in" to these utilities so that new customers are on par with the past investment made by existing customers. The water demand offset fee is based on our estimate to procure incremental recycled water capacity which will help offset potable water demand.





#### STAFF REPORT

TO: Board of Directors MEETING DATE: June 15, 2016

FROM: Drew Atwater, Water Resources Manager

Johnathan Cruz, Senior Financial & Resource Analyst

SUBJECT: Fiscal Year 2016-17 Proposed Budget

**DIVISION: District-Wide** 

#### **SUMMARY:**

<u>Issue:</u> The current Operating and Maintenance Budget and the annual Capital Improvement Program for Fiscal Year 2016-17 has been developed and proposed to reflect current resource needs.

Recommendation: It is recommended that the Board of Directors approve the resolution entitled, "Approving a Budget Appropriation and Adopting the Operating Budget and Capital Improvement Program Budget for Fiscal Year 2016-17".

<u>Fiscal Impact:</u> The proposed Operating and Maintenance budget and the Capital Improvement budget, along with the Cash Fund balances, was presented during the May Board workshop.

#### **BACKGROUND**:

The District adopted the second year of a two-year Operating and Maintenance budget and annual Capital Improvement Program in June 2015. As the District has transitioned towards integrating long term planning into District operations, the need for a two year budget has waned. The proposed budget reflects the shift to an annual budgeting cycle as well as current resource and capital needs. The Operating and Maintenance budget includes the necessary resources and services to provide water, wastewater, and recycled water services to the District's customers. The Capital Improvement Program budget includes appropriate funding to perform infrastructure improvements and/or the addition of new infrastructure.

#### #11.

Fiscal Year 2016-17 Proposed Budget June 15, 2016 Page **2** of **2** 

#### **DISCUSSION:**

On May 11, 2016, the Board participated in a budget workshop to review the details of the proposed budget and provide input through the process. The draft budget document provides a summary of the Fiscal Year 2014-15 actuals in comparison to the Fiscal Year 2014-15 Budget, the current Fiscal Year 2015-16 adopted Budget, the forecast of the Fiscal Year 2016-17 expenses consistent with the 10-year cashflow model and the proposed Fiscal Year 2016-17 budget. The budget document also includes narrative and graphics to provide additional context to the proposed budget and incorporates changes generated during the budget workshop. The public meetings to discuss the FY 2016-17 budget are listed below

Board Budget Meeting	Date
Budget Kick-Off with Board	March 16, 2016
Presentation of 10-Year FY 2016-17 CIP	April 18, 2016
Presentation of Proposed FY 2016-17 Budget	May 11, 2016
Financial Policies Board Workshop	May 25, 2016
FY 2016-17 Budget Adoption	June 16, 2016

#### Attachments:

- Resolution Approving a Budget Appropriation and Adopting the Operating Budget and Capital Improvement Program Budget for Fiscal Year 2016-17.
- 2. Proposed Fiscal Year 2016-2017 Budget

#### **RESOLUTION NO. 16-\_\_**

# RESOLUTION OF THE BOARD OF DIRECTORS OF THE MOULTON NIGUEL WATER DISTRICT APPROVING A BUDGET APPROPRIATION AND ADOPTING THE OPERATING BUDGET AND CAPITAL IMPROVEMENT PROGRAM BUDGET FOR FISCAL YEAR 2016-17

**WHEREAS**, the Financial Policies of the District provide that the Board shall hold public meetings and adopt the District's budget and may modify appropriations with majority approval throughout the Fiscal Year. Said budget consists of the estimated and anticipated expenditures and revenues for the Fiscal Year for all funds; and

**WHEREAS**, the Capital Improvement Program ("CIP") outlines the expenditure plan for future capital projects for the next decade and provides a CIP Budget for the upcoming Fiscal Year. CIP projects are funded from four sources: Water Efficiency ("WE") Fund 6, Replenishment and Refurbishment (R&R) Fund 7, Water Supply Reliability ("WSR") Fund 12, and Planning and Construction ("P&C") Fund 14. All of the funds described herein and as further set forth in the budget adopted by this Resolution shall be referred to herein as "Funds;" and

**WHEREAS**, the Board held multiple public meetings to review and discuss the proposed Fiscal Year 2016-17 Operating Budget and Capital Improvement Budget. In addition, a public meeting of the Board was duly noticed and conducted under the Brown Act on June 16, 2016 during which this Resolution and the budget were considered; and

**NOW, THEREFORE** the Board of Directors of the Moulton Niguel Water District, does hereby **RESOLVE, DETERMINE** and **ORDER** as follows:

**SECTION 1.** A certain document now on file in the Finance Division of the Moulton Niguel Water District entitled, "Moulton Niguel Water District FY 2016-17 Budget," is hereby made part of this Resolution.

**SECTION 2.** Said Operating and Capital Improvement Budget is hereby adopted for the Fiscal Year beginning July 1, 2016, and ending June 30, 2017, and consists of the estimated and anticipated expenditures and revenues for the Fiscal Year for all Funds.

**SECTION 3.** The expenditure amounts designated to each Fund for which they are designated and such appropriations shall not be increased except as provided herein.

**SECTION 4.** Except as provided for in SECTION 5, the appropriations for each Fund may only be increased or decreased by the Board during the Fiscal Year by passage of a resolution amending the Budget.

**SECTION 5.** The following controls are hereby placed on the use and transfers of budgeted Funds:

- A. No expenditure of Funds shall be authorized unless sufficient amounts have been appropriated by the Board or General Manager as described herein. The General Manager may authorize all transfers of amounts from category to category within the same Fund. The General Manager may delegate authority to transfer amounts between categories as necessary.
- B. The General Manager may authorize the transfer and expenditure of amounts between the Funds only to the extent of the specific Funds and maximum amounts set forth below. Said transfers may be made at one or more times during the Fiscal Year so long as the total amounts do not exceed the maximum amounts for the specific Funds set forth below. The General Manager may delegate authority to transfer amounts as necessary.
  - 1. The maximum amount which may be transferred by the General Manager from Fund 1 to Funds 7, 12, and/or 14 shall be \$43,958,065.
  - 2. The maximum amount which may be transferred by the General Manager between and among Funds 7, 12, and 14 shall be \$46,569,520.
  - 3. The maximum amount which may be transferred by the General Manager from the Capacity Fee Fund 15 to Fund 7 shall be \$2,611,455 to be spent on the identified projects in Table 1.

Table 1.

Project No.	Description	FY 2016-17 Budget
2015002	2015-16 VALVE REPLACEMENT	\$1,433,232
2006038	REPLACE DIGITAL LINES WITH WIRELESS NETWORK	\$459,552
2015013	2016-17 RESERVOIR MANAGEMENT SYSTEM REPLACEMENT	\$300,000
SOCWA124	2016/2017 SOCWA CAPITAL PC 2(R)	\$1,597,112
2009115	SAN JUAN CREEK 30 EFFLUENT TM	\$2,211,063
SOCWA128	2016/2017 SOCWA CAPITAL PC 17(R)	\$1,480,197

Total \$7,481,156

4. The maximum amount which may be transferred by the General Manager from Fund 1 to Funds 12, 68, 69, 70, 71 and 72 shall be \$15,246,181 to be spent on debt service payments.

C. The General Manager is authorized to employ during the fiscal year(s) covered by this Budget, the number and classifications of such full time employees as are shown in the Budget, all subject to the total number of authorized positions. The General Manager may also authorize the hiring of temporary or part time staff provided that the total to be obligated and expended within all funds as set forth in said Budget for the category of "Salaries" does not exceed the budgeted and appropriated amount, as the same may be amended by the Board.

**SECTION 6**. All appropriations for the Capital Improvement Projects remaining unexpended on June 30, 2016, are hereby appropriated for such Capital Projects for the 2016-17 Fiscal Year.

**SECTION 7.** All appropriations and outstanding encumbrances for non-Capital Projects as of June 30, 2016, expire as of said date.

**SECTION 8**. The Board of Directors does hereby approve and adopt the General Manager, General Unit, Supervisory Unit and Exempt Employees' Job Classification Salary Schedules effective June 25, 2016, for Fiscal Year 2016-2017.

**SECTION 9**. If any section, subsection, clause or phrase in this Resolution is for any reason held invalid, the validity of the remainder of this Resolution shall not be affected thereby. The Board hereby declares that it would have passed this Resolution and each section, subsection, sentence, clause, or phrase thereof, irrespective of the fact that one or more sections, subsections, sentences, clauses or phrases or the application thereof be held invalid.

**SECTION 10.** The Recitals set forth above are incorporated herein and made an operative part of this Resolution.

**ADOPTED, SIGNED** and **APPROVED** this 16<sup>th</sup> day of June, 2016.

#### MOULTON NIGUEL WATER DISTRICT

President/Vice President
MOULTON NIGUEL WATER DISTRICT
and of the Board of Directors thereof

Secretary/Assistant Secretary
MOULTON NIGUEL WATER DISTRICT and of the
Board of Directors thereof

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#### **ATTACHMENT 2**

# PROVIDED UNDER SEPARATE COVER



#### **STAFF REPORT**

TO: Board of Directors MEETING DATE: June 13, 2016

FROM: Drew Atwater, Water Resources Manager

**SUBJECT: Rebate Application for Turf Removal** 

**DIVISION: District-wide** 

#### **SUMMARY:**

<u>Issue</u>: The District has received an exemption request for a rebate application that exceeded the maximum allowable acreage for turf removal as defined in the approved Board policy.

<u>Recommendation:</u> It is recommended that the Board of Directors consider the rebate application for the identified project without a limitation on the maximum allowable acreage for the project and direct staff accordingly.

<u>Fiscal Impact</u>: Sufficient funds are available within the Water Use Efficiency Fund to fund the identified rebate application. Additional information is provided within the staff report.

#### BACKGROUND:

More than half of the water used at the District is for outdoor landscapes. Water efficient landscapes can decrease water use up to 70 percent through a combination of proper plant selection and irrigation technology. However, the cost of installing climate-applicable plants is sometimes an obstacle to turning traditional grass landscapes into more water-efficient environments. The District's turf replacement program is designed to help residents, businesses, and public agencies make that conversion.

The proposed project is eligible to receive \$2 per square foot from the District for turf removal and \$1.50 for synthetic turf installation. The program provides limitations on the amount of turf removal and/or synthetic turf installation that qualifies for the rebate. The relevant cap for the applicants is 3,000 square feet for the residential project.

#### #12.

Rebate Application for Turf Removal June 13, 2016

Page 2 of 2

All rebates from the District are funded through the Water Efficiency Fund using the incremental revenue generated from the higher consumption tiers (Tiers 3, 4 and 5) in the water budget-based rate structure.

#### **DISCUSSION:**

In recent months, the District has expanded its outreach efforts to promote water use efficiency in response to the drought emergency. Customers have responded with requests for more than 5 million square feet of turf removal and more than 600,000 square feet of synthetic turf installation. The District has received an additional request from a customer to remove 6,800 square feet of turf. Table 1 identifies the customer and the rebate request.

Table 1 – Rebate Request

Customer	Division	Proposed Turf Removal (Sq. Feet)	Proposed Synthetic Turf Installation (Sq. Feet)	Proposed Rebate Value (\$)
Residential – Acct #7-02174	4	6,800	6,800	\$23,800
Total		6,800		\$23,800

The value provided above is based on the project estimate and may vary as the project becomes more defined. The proposed rebate incentives for the identified project would be funded from the Water Efficiency Fund.

Staff is recommending the Board remove the maximum allowable acreage to allow the General Manager or her designee to consider each application based on the overall project objectives, various funding sources, and current available budget for rebate funding. Removal of the maximum acreage by the Board of Directors for the specifically identified application does not constitute an approval of the rebate application, but allows the specifically identified application to be considered for the full amount of turf removal or synthetic turf installation.

#### MOULTON NIGUEL WATER DISTRICT Summary of Financial Results June 15, 2016

Results of operations for the ten months ended April 30, 2016, are summarized below. The end of April represents 83% of the fiscal year.

District-wide total operating revenues were \$44.0 million through April 30, 2016, which is right on track at 84% of the budget. Total District operating expenses were \$53.9 million as of April 30, 2016, which is trending at 77% of the approved budget. The District receives a significant portion of its revenue from property taxes that is used to offset the operating loss. District total Net Income for the ten months ended is at \$8.4 million. A positive total Net Income amount is indicative of sound financial management strategies and proper planning by the Board.

As the end of the fiscal year approaches, the District can evaluate its projections related to overall budgets, as well as significant line items. Total Operating Revenues are up 6% through the ten months this fiscal year as compared to last year. Total Operating Expenses have increased 7% over the same time period.

Total Consulting Services have gone from \$1.0 million at this point in FY 14/15 to \$2.2 million in the current fiscal year. The majority of the year over year increase can be attributed to the \$1.1 million condition assessment related to the Central Intertie Pipeline, which was included in the FY 15/16 Adopted Budget.

Another large increase is in the District Capacity Fee revenues, which vary from year to year depending on the level of development within the District service area. In FY 15/16, Capacity Fee revenue has increased by 90% as compared to last year, totaling \$1.0 million.

The Water Efficiency Fund has \$4.2 million remaining in uncommitted fund balance. In the last three months, the uncommitted fund balance was \$4.2 million, \$4.0 million, and \$4.0 million, respectively. That trend shows consistency and displays proper tracking of outstanding commitments.

The District closed over \$4.5 million in construction in progress during the month of April. The District closed over 15 different projects during the month of April. These projects were completed and inspected by District staff and have been placed into service. The balances were moved from the construction in progress balances to the Capital Assets, Net of Accumulated Depreciation line. The completed projects will also begin depreciating.

The District fiscal agent reserve accounts all appear to be (under) funded, but that is the result of the recent change in investment strategy. The District has allowed Chandler Asset Management to invest those balances in investments that will gain more returns, and some of those securities were purchased at a premium, which gives the appearance of underfunded balances. The Bond documents stipulate that the reserves be monitored and replenished if need be at year-end.

Overall, the District continues to maintain strong financial results and accountability. The results through April indicate that the District has improved in its forecasting abilities, cash management, and accounting practices. These improvements are largely due to Board action and guidance to review financial documents and policies more regularly, such as the reserve target policy, the 10-year Cash Flow and the Investment Policy.

#### Moulton Niguel Water District All Funds - Budget Comparison Report Ten Months Ended April 30, 2016

Description	Fiscal Year to Date Actuals	Prior Fiscal Year to Date Actuals	Current Year Approved Budget	Current Year Budget Balance	% of Actuals to Budget
ALL FUNDS					
Operating Revenues	,				
Water Sales	\$ 20,810,406	20,461,457			82%
Recycled Water Sales	3,774,758	3,993,015	5,249,795	1,475,037	72%
Sewer Sales	15,685,869	13,242,555	18,053,647	2,367,778	87%
Water Efficiency	3,403,881	3,565,938	3,398,873	(5,008)	100%
Other Operating Income	363,491	306,383	483,500	120,009	75%
Total Operating Revenue	44,038,405	41,569,348	52,634,952	8,596,547	84%
Operating Expenses					
Salaries	8,404,875	8,071,448	10,779,194	2,374,319	78%
PERs Employer Contributions	1,099,566	837,317	1,422,733	323,167	77%
PERs Employee Contributions	100,609	156,817	153,377	52,768	66%
Defined Contribution 401A	134,821	166,998	200,534	65,713	67%
Educational Courses	17,837	17,946	44,770	26,933	40%
Travel & Meetings	151,080	151,933	253,344	102,264	60%
Recruiting & Employee Relations	16,447	8,946	15,000	(1,447)	110%
General Services	291,422	316,561	463,095	171,673	63%
Annual Audit	46,562	40,665	48,080	1,518	97%
Member Agencies O&M	996,031	1,121,237	1,542,495	546,464	65%
Dues & Memberships	98,702	83,442	97,010	(1,692)	102%
Consulting Services	2,159,861	970,830	3,098,900	939,039	70%
Equipment Rental	48,259	54,310	65,000	16,741	74%
District Fuel	162,314	190,793	340,000	177,686	48%
Insurance - District	309,343	427,020	561,275	251,932	55%
Insurance - Personnel	302,372	327,333	447,992	145,620	67%
Insurance - Benefits	2,055,235	1,909,824	2,703,887	648,652	76%
Legal Services - Personnel		1,909,824		,	13%
	6,548		50,000	43,452	
Legal Services - General <sup>1</sup>	170,467	147,582	200,000	29,533	85%
District Office Supplies	644,383	420,813	965,151	320,767	67%
District Operating Supplies	317,974	245,467	392,967	74,993	81%
Repairs & Maintenance - Equipment	551,387	467,062	741,969	190,582	74%
Repairs & Maintenance - Facilities	2,493,339	2,270,183	4,135,970	1,642,631	60%
Safety Program & Compliance Requirements	186,092	116,957	309,450	123,358	60%
SOCWA	8,863,204	6,118,011	9,204,735	341,531	96%
Special Outside Assessments	188,051	200,296	225,000	36,949	84%
Utilities	1,694,783	1,671,289	2,258,900	564,117	75%
Water Purchases	19,411,664	21,748,364	23,697,842	4,286,178	82%
Meter / Vault Purchases	440,122	472,744	906,000	465,878	49%
Water Efficiency	2,548,490	1,735,392	4,849,624	2,301,134	53%
Other Operating Expenses	10,359	110,517	-	(10,359)	n/a
Total Operating Expenses	53,922,201	50,578,951	70,174,294	16,262,452	77%
Operating Income (Loss)	(9,883,796)	(9,009,603)	(17,539,342)	(7,665,905)	56%
Non-Operating Revenues (Expenses)					
Property Tax Revenue	24,234,796	23,034,220	26,501,190	2,266,394	91%
Investment Income <sup>2</sup>	2,945,374	2,957,143	2,027,705	(917,669)	145%
Property Lease Income	1,458,781	1,429,647	1,660,096	201,315	88%
Interest Expense	(4,657,309)	(5,029,765)	(5,594,886)		83%
Misc. Non-Operating Income <sup>3</sup>					
	7,482,575	14,411,229	68,000	(7,414,575)	n/a
Capacity Fees  Total Non-Operating Revenue (Expenses)	1,046,336 <b>32,510,553</b>	549,779 <b>37,352,253</b>	24,662,105	(1,046,336) (7,848,448)	n/a 132%
Change in All Funds	\$ 22,626,757	\$ 28,342,650	\$ 7,122,763	\$ (15,514,353)	
Other Non Cash Expenses					
Depreciation	14,251,741	13,889,575		(14,251,741)	n/a
Total Change in Net Position	8,375,016	14,453,075	7,122,763	(1,262,612)	

- 1. Detail of Legal Services General can be found on the next page.
- 2. Investment income is comprised of realized income of \$2,051,844 and unrealized income of \$893,529.
- 3. The District received \$1.3 million for the 2009 COP (Build America Bonds) Federal Interest subsidy and \$5.1 million for the Special Assessment District taxes. The District has historically not budgeted for these items but will re-evaluate for next year's Budget.

#### Moulton Niguel Water District All Funds - Budget Comparison Report Ten Months Ended April 30, 2016 Legal Services - General

Firm	General <sup>4</sup>	Water U	Ise Efficiency <sup>4</sup>	Capital <sup>5</sup>	Total
Bowie, Arneson, Wiles & Giannone	\$ 38,902	\$	-	\$ 10,022	\$ 48,924
Best Best & Krieger LLP	123,604		7,367	36,176	167,146
Downey Brand, Attorneys	594		-	3,064	3,658
Total	\$ 163,100	\$	7,367	\$ 49,261	\$ 219,728

- 4. Legal Services General on the previous page is made up of the General balance of \$163,100 and the \$7,367 Water Use Efficiency balance, for a total of \$170,467.
- 5. Capital legal services represent legal services rendered during construction and are capitalized by the District as part of the project.

#### Moulton Niguel Water District General Fund - Budget Comparison Report Ten Months Ended April 30, 2016

Description	Approved Budget	Fiscal Year to Date Actuals	Budget Balance	% of Actuals to Budget
GENERAL FUND				
Operating Revenues				
Water Sales	\$ 25,449,137	\$ 20,810,406	\$ 4,638,731	82%
Recycled Water Sales	5,249,795	3,774,758	1,475,037	72%
Sewer Sales	18,053,647	15,685,869	2,367,778	87%
Other Operating Income	483,500	363,491	120,009	75%
Total Operating Revenue	49,236,079	40,634,524	8,601,555	83%
Operating Expenses				
Salaries	10,307,516	7,924,043	2,383,473	77%
PERs Employer Contributions	1,364,819	1,047,268	317,551	77%
PERs Employee Contributions	149,890	99,022	50,868	66%
Defined Contribution 401A	192,000	127,548	64,452	66%
Educational Courses	44,270	17,837	26,433	40%
Travel & Meetings	238,644	141,468	97,176	59%
Recruitment & Employee Relations	15,000	16,447	(1,447)	110%
General Services	458,095	291,422	166,673	64%
Annual Audit	48,080	46,562	1,518	97%
Member Agencies O&M	1,542,495	996,031	546,464	65%
Dues & Memberships	96,510	98,702	(2,192)	102%
Consulting Services	2,248,900	1,560,496	688,404	69%
Equipment Rental	65,000	48,259	16,741	74%
District Fuel	340,000	162,314	177,686	48%
Insurance - District	561,275	309,343	251,932	55%
Insurance - Personnel	438,275	291,067	147,208	66%
Insurance - Benefits	2,587,061	1,944,419	642,642	75%
Legal Services - Personnel	50,000	6,548	43,452	13%
Legal Services - General	200,000	163,100	36,900	82%
District Office Supplies	475,400	355,499	119,901	75%
District Operating Supplies	392,967	317,974	74,993	81%
Repairs & Maintenance - Equipment	738,469	547,669	190,800	74%
Repairs & Maintenance - Facilities	4,135,970	2,493,339	1,642,631	60%
Safety Program & Compliance Requirements	309,450	186,092	123,358	60%
SOCWA	9,204,735	8,863,204	341,531	96%
Special Outside Assessments	225,000	188,051	36,949	84%
Utilities	2,258,900	1,694,783	564,117	75%
Water Purchases	23,697,842	19,411,664	4,286,177	82%
Meter / Vault Purchases	906,000	440,122	465,878	49%
Total Operating Expenses	63,292,562	49,790,294	13,502,268	79%
Operating Income (Loss)	(14.056.483	(9,155,770)	(4,900,713)	65%
Operating income (1033)	(14,030,483	(3,133,770)	(4,300,713)	0376
Non-Operating Revenues (Expenses)	20 704 100	24.224.722	2.200.20	2.2
Property Tax Revenue	26,501,190	24,234,796	2,266,394	91%
Investment Income	1,867,913	2,793,052	(925,139)	150%
Property Lease Income	1,660,096	1,458,781	201,315	88%
Misc. Non-Operating Income <sup>1</sup>	68,000		(6,664,705)	n/a
Total Non-Operating Revenue (Expenses)	30,097,199	35,219,334	(5,122,135)	117%
Change in General Fund	\$ 16,040,716	\$ 26,063,565	\$ (10,022,849)	

<sup>1.</sup> The District received \$1.3 million for the 2009 COP (Build America Bonds) Federal Interest subsidy and \$5.1 million for the Special Assessment Assessment District taxes. The District has historically not budgeted for these items but will re-evaluate for next year's Budget.

## Moulton Niguel Water District Water Efficiency Fund - Budget Comparison Report Ten Months Ended April 30, 2016

Description	Approved Budget	Fiscal Year to Date Actuals	Budget Balance	% of Actuals to Budget
WATER EFFICIENCY FUND				
<b>Projected Operating Revenue</b>				
Water Efficiency	\$ 3,398,873	\$ 3,403,881	\$ (5,008)	100%
Projected Total Operating Revenue	3,398,873	3,403,881	(5,008)	100%
<b>Projected Operating Expenses</b>				
Labor	668,156	664,112	4,044	99%
Educational Courses	500	-	500	0%
Travel & Meetings	14,700	9,612	5,088	65%
General Services	5,000	-	5,000	0%
Dues & Memberships	500	-	500	0%
Consulting Services	850,000	513,196	336,804	60%
Legal Services	-	7,367	(7,367)	n/a
Conservation supplies	489,751	292,603	197,148	60%
Repairs and Maintenance - Equipment	3,500	-	3,500	0%
Water Efficiency	4,849,624	2,548,490	2,301,134	53%
<b>Projected Total Operating Expenses</b>	6,881,731	4,035,380	2,846,351	59%
Projected Operating Income (Loss)	(3,482,858	) (631,499)	(2,851,359)	18%
<b>Projected Non-Operating Revenue</b>				
Investment Income	159,792	152,317	7,475	95%
Projected Total Non-Operating Revenue	159,792	152,317	7,475	95%
Projected Change in Water Efficiency Fund	\$ (3,323,066	) \$ (479,181)	\$ (2,843,884)	

Note: Totals may not sum due to rounding.

#### Water Efficiency Available Net Position<sup>1</sup>

Description	Approved Fis Budget		al Year to Date Actuals	Вι	ıdget Balance
Fund Net Position, Beginning of Year	\$ 7,180,191	\$	7,180,191	\$	7,180,191
Projected Change in Water Efficiency Fund	(3,323,066)		(479,181)		(2,843,884)
Projected Fund Net Position, April 30, 2016	\$ 3,857,125	\$	6,701,010	\$	4,336,307

<sup>1.</sup> In addition to realized expenditures, there is approximately \$2,512,983 in project commitments, reducing the available fund balance to \$4,188,027.

## MOULTON NIGUEL WATER DISTRICT STATEMENT OF NET POSITION

		(Unaudited) April 30, 2016		Audited June 30, 2015
CURRENT ASSETS:			-	
Cash and investments	\$	43,049,439	\$	33,849,087
Restricted cash and investments with fiscal agent		8,024,285		8,777,679
Accounts receivables:				
Water and sanitation charges		3,377,077		3,392,611
Taxes and acreage assessments		-		300,842
Grant Reimbursements		455,778		405,068
Other accounts receivable		175,274		222,169
Interest receivable		592,057		620,930
Current portion of AMP receivable		656		1,302
Inventory		1,588,432		1,703,635
Prepaid expenses	_	365,754	-	480,124
TOTAL CURRENT ASSETS	_	57,628,752	<del>-</del>	49,753,446
NONCURRENT ASSETS:				
Investments		94,562,930		116,281,296
Retrofit loans receivable		566,786		597,037
AMP Receivable		-		-
Capital assets, net of accumulated depreciation		333,829,939		343,111,410
Capital assets not being depreciated:				
Land		1,091,910		1,091,910
Construction in progress	_	48,706,188	-	31,642,242
TOTAL NONCURRENT ASSETS	_	478,757,753	_	492,723,895
TOTAL ASSETS	_	536,386,505	-	542,477,341
DEFERRED OUTFLOW OF RESOURCES:				
Deferred Charges on Refunding		1,029,114		1,488,900
Deferred Items related to Pension	_	1,431,577	_	1,431,577
TOTAL DEFERRED OUTFLOW OF RESOURCES	_	2,460,691	_	2,920,477
TOTAL ASSETS AND DEFERRED OUTFLOW OF RESOURCE	<b>:s</b> \$ _	538,847,196	\$	545,397,818

## MOULTON NIGUEL WATER DISTRICT STATEMENT OF NET POSITION

		(Unaudited) April 30, 2016		Audited June 30, 2015
CURRENT LIABILITIES:	-	7.011 50, 2010	-	34110 30, 2013
Accounts payable	\$	4,696,127	\$	8,162,699
Interest payable		831,745		1,830,740
Compensated absences		156,974		373,162
Current portion of long-term debt:				
Bonds payable		6,060,000		5,685,000
Loans Payable		131,320		2,110,606
Certificates of participation	_	1,855,000	_	1,780,000
TOTAL CURRENT LIABILITIES	_	13,731,165	_	19,942,207
LONG-TERM LIABILITIES				
Compensated absences		52,325		124,386
Long-term debt:				
Bonds payable		16,370,000		22,430,000
Loans payable		10,688,012		10,688,012
Certificates of participation		61,925,000		63,780,000
Net Pension Liability	_	12,251,838	_	12,251,838
TOTAL LONG-TERM LIABILITIES	_	101,287,174	-	109,274,236
Bond Discount/Premium		2,755,778		3,483,309
TOTAL LIABILITIES	_	117,774,118	_	132,699,752
DEFERRED INFLOW OF RESOURCES:				
Deferred Items related to Pension	_	4,936,619	-	4,936,619
TOTAL DEFERRED INFLOW OF RESOURCES	_	4,936,619	_	4,936,619
NET POSITION:				
Net investment in capital assets		284,872,054		267,393,560
Restricted for capital projects		2,609,383		1,508,109
Unrestricted	-	128,655,022	-	138,859,778
TOTAL NET POSITION	_	416,136,459	_	407,761,447
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES,				
AND NET POSITION	\$ _	538,847,196	\$ =	545,397,818

## MOULTON NIGUEL WATER DISTRICT RESTRICTED CASH AND INVESTMENTS WITH FISCAL AGENT As of April 30, 2016

Restricted Cash and Investments:	Re	Reserve equirement	(Unaudited) Balance 4/30/2016	er (Under) Juirement	Audited Balance 6/30/2015
DWR Trust Reserves	\$	-	-	\$ - 5	615,739
2009 COPS Trust Reserve		6,000,000	5,982,079	(17,921)	6,023,364
2009 COPs Installment		-	39	39	-
2010 Installment Payment		-	264,564	264,564	-
2010 COPS Trust Reserves		556,000	555,561	(439)	896,180
2014 Consolidated Ref Bonds		-	-	-	-
2015 Refunding Bonds		-	12	12	-
2015 Refunding Reserve		1,226,500	1,222,029	(4,471)	1,226,500
2015 Refunding Issuance Fund		-	-	-	15,896
Total Restricted Trust Accounts	\$	7,782,500	\$ 8,024,285	\$ 241,785	8,777,679

## MOULTON NIGUEL WATER DISTRICT NET POSITION As of April 30, 2016

				(	(Unaudited) Balance				Audited Balance
	Res	erve Policy							
		Target			4/30/2016	N	let Change	6	5/30/2015
Unrestricted Net Position:									
Designated for Self Insurance Reserves	\$	250,000			252,488	Ś	2,633	\$	249,855
Designated for Water Efficiency (WBBRS) <sup>1</sup>	•	n/a			6,701,010	ľ	(479,181)	•	7,180,191
Designated for Replacement and Refurbishment		17,061,912			16,105,676		(983,139)		17,088,815
Designated for Water Supply Reliability		n/a			478,011		(323,620)		801,631
Designated for Planning and Construction		n/a			29,102,206		(26,677)		29,128,883
Designated for Rate Stabilization		13,250,595			13,535,252		2,534,971		11,000,281
Designated for Emergency Reserve		6,884,925			6,884,925		-		6,884,925
Unrestricted, undesignated <sup>2</sup>		21,097,521			55,595,454		(10,929,743)		66,525,197
									_
Total Unrestricted Net Position		58,544,953	3		128,655,022		(10,204,756)	1	138,859,778
Restricted for Capital Facilities (Projects)					2,609,383		1,101,274		1,508,109
Net Investment in Capital Assets <sup>4</sup>					284,872,054		17,478,494	2	267,393,560
Total Net Position				\$	416,136,459	\$	8,375,012	\$ 4	107,761,447

- 1. In addition to realized expenditures, there is approximately \$2,512,983 in project commitments, reducing the available fund balance to \$4,188,027.
- 2. Unrestricted, undesignated funds include the General Operating Reserve as well as the regular District cash flows.
- 3. All funds in excess of reserve policy targets will be used to fund capital projects and operations.
- 4. Net Investment in Capital Assets calculated as follows:

Total capital assets	383,628,037
Less capital related debt	(99,785,110)
Add deferred charges related to debt	1,029,114
Total Net Investment in Capital Assets	284,872,042

#### MOULTON NIGUEL WATER DISTRICT SUMMARY OF DISBURSEMENTS FOR THE MONTH OF MAY 2016

#### **Summary of Disbursements in May 2016:**

General Fund Disbursements		3,801,689
Restricted Fund Disbursements:		
Water Efficiency Fund	672,048	
Replacement & Refurbishment Fund	3,171,380	
Water Supply Reliability Fund	731,916	
Planning & Construction Fund	53,958	4,629,302
Total Disbursements for all Funds	\$	8,430,991
Detail of Major Expenditures in May 2016:		
South Orange County Wastewater Authority (SOCWA)		
FY 15/16 Q3 Capital Project Billings		2,527,950
2. Municipal Water District of Orange County (MWDOC)		
March Water Purchases 1626.4 AF	1,532,069	
March Turf, Nozzles, and Smart Timer Rebates	488,048	
March Readiness to Serve	141,054	
March Capacity Charge	38,599	
March SoCal Water\$mart Residential and CII Rebate Programs	26,738	
March SCP Operation Surcharge	9,028	
February Reclaimed Rebate 219.7 AF	(33,834)	2,201,701
3. Ferreira Construction Co. Inc.		
C# 2014011 Recycled Water Extension, progress payment #1		700,506
4. Santa Margarita Water District (SMWD)		
C#'s C00C69 and C00C74 Upper Chiquita Reservoir Expenses	212,428	
FY 15/16 Q3 Joint Owned Facilities Expenses	55,022	
C# G00E12 Upper Oso Reservoir Expenses	7,796	275,247
5. Advanced Industrial Services, Inc.		
C# 2014001 Rehab Bear Brand #1 Reservoir, progress payment #1		133,855
6. South Coast Water District (SCWD)/Joint Regional Water Supply System (JRWSS)		
FY 15/16 Q2 O&M Charges	113,624	
FY 15/16 JRWSS Capital Projects	16,910	130,534