

## MWDOC/Six-Member Agencies Issues Discussions Meeting Minutes: September 26, 2007

### **Attendees:**

Don Chadd, Wayne Clark, Larry Dick, Richard Dietmeier, Mike Dunbar, Richard Fiore, Jack Foley, Bob Hill, Kevin Hunt, Paul Jones, Betty Olson, Ted Martin, Doug Reinhart, Mike Safranski, John Schatz, Karl Seckel, Joyce Crosthwaite (LAFCO), Sharon Browning (Facilitator)

**Absent:** Susan Hinman,

### **Call to Order**

The meeting was called to order at 5:00 PM. The minutes for September 19, 2007 were deferred and will be distributed with the September 26, 2007 minutes. The facilitator explained that the meeting would be focused on hearing and responding to the MWDOC proposal requested by the six-agencies.

### **MWDOC Proposal**

MWDOC offered the following proposal [the description of the proposal in these minutes is abstracted from the original MWDOC proposal distributed to the group]:

1. Both sides agree not to pursue any actions that would undermine these agreement principles.
2. The agreements will have a durability of at least four years and will remain in place through adoption of the budget for fiscal year 2011-12 (four budget cycles from where we are now).
3. MWDOC requests the Six Agencies to affirm the following:
  - MWDOC's role and mission in providing Regional Services to its member agencies
  - 60% of MWDOC's budget is driven by staff costs and therefore agreeing to future budget cap limitations based on CPI adjustments will not be easy
    - Employee benefit costs (pension and healthcare) are uncontrollable costs.
    - Election costs within the MWDOC budget are uncontrollable costs that may occur every two years.
  - Reductions in MWDOC's budget have already been put in place beginning in 2006-07
  - The agencies will work with MWDOC to put into place an improved method for keeping the directors and staff from the agencies fully informed on important issues and to allow additional member agency input into MWDOC's activities.

- For any services offered by MWDOC under a “choice model”, the agencies agree not to compete with MWDOC by providing these services to any of the other Six Agencies or the remaining MWDOC agencies.
4. 2008-09 Budget Proposal  
Based on current circumstances, a 5% reduction in the budget for 2008-09, adjusted for inflation.

The calculation is as follows:

- Current budget is \$5,873,932 for 2007-08
  - For 2008-09, MWDOC’s budget will be set at 95% or \$5,580,235 plus the CPI inflation for the March to March LA/OC.
  - For 2009-10 and thereafter, the budget will be developed within the guideline formula provided below.
5. Budget Guideline Moving Forward  
MWDOC will continue working within its current detailed framework for developing the budget including a previously agreed to guideline limitation on future budgets. In addition to the existing framework MWDOC proposes:
- A reduction in the existing budget guideline of 6.5% (compared to that adopted on December 20, 2006):
    - In 2007-08 the guideline was set at \$5,968,000 plus 3.4% inflation = \$6,170,912
    - In 2008-09 the guideline will be set at 93.5% of that = \$5,769,803 plus CPI
    - Each year the guideline will be increased by the March to March LA/OC CPI
    - Having the guideline above the budget level at this time is needed to deal with uncontrollable costs and salary increases above CPI that might occur in the next four years

6. Budget Approval  
Since December 2006 MWDOC has received two legal opinions that preclude any form of formal budget ratification by the member agencies. Approval and adoption of the budget is central to the authority vested in the Board of a Municipal Water District and cannot be delegated. However, the General Manager will seek from each MWDOC member agency an expression of approval or opposition of the budget and/or any specific input regarding any budget item before the budget is presented to the Board for adoption. All information provided under this process will be presented to the Board of Directors including both the name of the agency supporting or opposing and the

percent of revenue they represent and the totals by agency and by revenue, prior to adoption of the budget.

7. Agreement to Study of MWDOC's Rates and Charges

MWDOC agrees to commit to a study of its rates and charges during 2007-2008, complete with input from all agencies, including methods to address rate/cost/benefit equity among the agencies. Charges to be studied include:

- Per agency charge
- Examine min and max number of connections charged
- Impact of choice
- Other proposals, as identified

8. Allowing Choice of Services from MWDOC

MWDOC will allow choice of certain services, as follows:

- The MWDOC School Program will be charged to each agency, beginning in 2008-09, based on the number of students visited under MWDOC's School Program as scheduled by Discovery Science Center (DSC) in the prior fiscal year. The rate per student will be calculated based upon the School Program Costs, divided by the number of students visited. Based on the budget for 2007-08 the per student charge would be  $\$312,957/88,000$  students = \$3.56 per student. If an agency has a School Program of their own, DSC will be requested not to market the MWDOC School Program in their area.
- Federal Lobbying costs will be cost-shared beginning in 2008-09. Any costs related to securing funding for Water Use Efficiency will remain within MWDOC's rates and charges; any Federal lobbying costs for projects will be apportioned directly to the project beneficiaries.
- MWDOC will consider allowing choice for services in Water Use Efficiency Programs and in Planning Studies where appropriate and when it can be demonstrated that the services to be provided do not provide a Regional Benefit. MWDOC will facilitate discussions on these options during the budget development process for 2008-09 and will make any recommendations for breaking out the services when the budget is presented for adoption.

### **Discussion about the MWDOC Proposal**

Comments and questions about the MWDOC proposal included:

- Clarification that if agreement is reached it would mean that the agreement would be in place for at least four years.

- The non-competition clause refers to all “choice” service programs. [complete clarity was not achieved on this point]
- Question: What programs will be deleted to accomplish the budget reduction?  
Response: Water Use Efficiency, some staffing and other.
- Will the amount of MWDOC reserves be addressed? If yes, when and how?  
{complete agreement was not reached on this issue }
- Question: How will the agency approval process work for inputting the budget process? Answer: it will be up to each agency to design its process for providing input to MWDOC on the budget.
- Question: When will the rates and charges study begin? Answer: 2007-08
- Question: What is the methodology for distributing federal lobbying costs? How will the costs be charged back to the agencies? Answer: If there are no direct benefits to individual agencies, there will be no charge.

Following clarifying questions and answers there was a break to allow the six-agencies to caucus and discuss the MWDOC proposal.

### Next Steps

Upon returning from the caucus the six-agencies indicated that the proposal was a good start and the group determined that questions and details remain to be worked out. The following next steps were agreed to:

Activity	Due Date	Lead
Six-Agencies will meet to agree on their response to the MWDOC Proposal	Week of Oct.1/07	Six-Agencies
Six-Agencies will email their response to the MWDOC proposal to MWDOC and LAFCO; the agencies will respond point-by-point to the proposal.	Monday, Oct.8/07	Six- Agencies
Six-Agencies and MWDOC will meet to determine if agreement can be achieved	Wednesday, Oct. 10/07	LAFCO/Crosthwaite will reserve Laguna Hills Community Room; Bob Hill, ETWD will provide drinks/food
Prepare language for a letter to the LAFCO Commission requesting continuation of consideration of the MWDOC MSR until Nov. 14, 2007	Thursday, Sept. 27/07	Crosthwaite
Send letters to LAFCO	Monday	Six-Agencies and MWDOC

Commission requesting deferral of MWDOC MSR consideration	Oct. 1/07	
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**Adjournment**

There being no further business, the meeting was adjourned at 6:50 PM.

# MWDOC/Six-Member Agencies Issues Discussions

## Meeting Minutes: September 19, 2007

### **Attendees:**

Don Chadd, Wayne Clark ,Larry Dick, Richard Dietmeier, Mike Dunbar, Richard Fiore, Jack Foley ,Bob Hill, Susan Hinman, Kevin Hunt, Paul Jones, Betty Olson ,Ted Martin, Doug Reinhart, Mike Safranski, John Schatz, Karl Seckel, Joyce Crosthwaite (LAFCO), Sharon Browning (Facilitator)

**Absent:** None

### **Call to Order**

The meeting was called to order at 5:08 PM and the minutes for August 22, 2007 were approved as written.

### **Service Cost Recovery Mechanism**

Karl Seckel reported on the six-agency General Manager's sub-committee to explore a service cost recovery mechanism. Specifically the sub-committee's assignment was to discuss:

1. Unbundling MWDOC services to see how they fall out into Mandatory vs Elective services and how they could be packaged
2. Consider cost recovery methods/structures for each package of services
3. "A footnote was added to the assignment that Core and Hybrid Budgets had not yet been agreed to."

The sub-committee met on September 5 and 12. [For a report of the sub-committee discussions and conclusions refer to the September 18, 2007 Memorandum regarding: Work by the General Manager's on MWDOC Services.] The conclusions reported by the sub-committee were:

- MWDOC and the six agencies had clarified areas of disagreement but had not come to agreement
- A budget difference of \$0.5M exists between the agencies and MWDOC [Agencies want a \$5.3M budget and MWDOC a \$5.8M budget]
- A difference of \$1.4M in the elective portion of the budget [\$0.4M vs \$1.8M]
- A difference in the regional principles guiding MWDOC's approach and the agency funding principles guiding the agency approach
- A difference of opinion about the level of revenue necessary for MWDOC Management and Support functions; and how to prevent possible erosion of the revenue for these functions

Lengthy discussion followed the sub-committee report where the agencies reiterated their concerns as:

- Disagreeing with MWDOC regarding the level of service required.

- That MWDOC is not taking into consideration the differences between districts and agencies [cities' interests and needs versus the interests and needs of district water agencies] in its budgeting process.
- Believing that the baseline budget remains too large
- The agencies are under represented in the governance of the budget setting process

MWDOC indicated its desire to be responsive to the agencies concerns with the caveat that any response must be done in a manner that does not erode the effectiveness of MWDOC's service to the other member agencies and its ability to represent/serve regional interests. The agencies responded that they would like MWDOC to present some concrete proposal that would result in a budget reduction, a role for the agencies in governance of the budget, a reallocation of costs and controls on the budget going forward.

### **Request for MWDOC Proposal**

Following the cost recovery discussion the agencies caucused without MWDOC, the facilitator or LAFCO staff in order to determine what elements they would like the MWDOC proposal to include.

Upon reconvening the meeting the agencies requested that MWDOC prepare a proposal that:

1. Provides the agencies with a "choice" of selected MWDOC services
2. Includes a study to examine alternative revenue recovery methods to achieve equity in MWDOC's rates and charges
3. Develops more stringent controls on MWDOC's budget increases moving forward
4. Offers a budget reduction for the 2008-09 budget year and moving forward
5. Develops a member-agency budget approval process based upon 50% revenue contribution and 50% of the number of agencies supporting the budget

MWDOC agreed to consider if and how it might be responsive to the five criteria requested by the agencies and indicated that it would bring a draft proposal to the next meeting.

### **Adjournment and Next Meeting**

The meeting was adjourned at 7:20 PM. The next meeting is scheduled for September 26, 2007 at 5:00 PM at the Laguna Hills Community Center. MWDOC's proposal will be the single agenda item.