

**TRABUCO CANYON WATER DISTRICT
FINANCE AUDIT COMMITTEE MEETING RECAP
MARCH 5, 2014**

DIRECTORS PRESENT

Committee Chair Stephen Dopudja
Committee Member James Haselton

STAFF PRESENT

Hector Ruiz, General Manager
Michael Perea, District Secretary
Cindy Byerrum, District Treasurer
Karen Warner, Accounting Supervisor

PUBLIC PRESENT

There were members of the public present

CALL MEETING TO ORDER

Committee Chair Dopudja called the March 5, 2014, Finance/Audit Committee Meeting to order at 7:00 A.M.

VISITOR PARTICIPATION

No visitor participation was received.

ORAL COMMUNICATION

No oral communication was received.

COMMITTEE MEMBER COMMENTS

Mr. Haselton commented on the recent local rain storm and inquired staff of the storm's impact on the District's reservoir levels. Discussion occurred concerning the water levels at the Robinson Ranch Wastewater Treatment Plant Recycled Water Reservoir and Dove Lake.

Mr. Dopudja had no comments.

REPORT FROM THE GENERAL MANAGER

Mr. Ruiz commented that the Municipal Water District of Orange County (MWDOC) Fiscal Year 2014/2015 Draft Budget was provided to member agencies for review. Mr. Ruiz mentioned that the South County Water Agency General Managers are scheduled to meet to review and prepare comments on the Budget, and that more information will be presented at the Regular Board Meeting.

ITEM 1: FINANCE/AUDIT COMMITTEE MEETING RECAP

The February 5, 2014, Finance/Audit Committee Meeting Recap was presented to the Committee.

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RECOMMENDED ACTION:

The Committee approved and recommended that the February 5, 2014, Finance/Audit Committee Meeting Recap be received and filed by the Board (Consent Calendar).

**ITEM 2: RATIFICATION OF DIRECTORS' FEES AND EXPENSES, TENTATIVE FUTURE MEETINGS/
ATTENDANCE ITEMS**

The Committee reviewed the information presented, and had no comments. Mr. Ruiz commented that a change to Vice President Edward Mandich's schedule will be made to reflect his attendance at the February 6, 2014, South Orange County Watershed Management Area Executive Committee Meeting.

RECOMMENDED ACTION:

The Committee recommended that the Directors' expenses and fees for February, 2014, and the tentative future meetings be forwarded to the Board for ratification, as amended (Consent Calendar).

ITEM 3: TRABUCO CANYON WATER DISTRICT CUSTOMER UTILITY BILL PAYMENT OPTIONS

Mr. Ruiz presented this matter to the Committee for their review, and commented on the District's current customer utility bill payment options. Mr. Ruiz added that the District absorbs the costs for the online bill payment solution for District customers at this time, but that staff has solicited proposals for service to implement a convenience fee solution for online payments. Mr. Perea presented and reviewed the utility bill payment analysis as presented in the staff report. Mr. Perea highlighted the three payment group options, the current number of participants in each group, and the financial impact to the District for customers who choose to use online bill payment options. Discussion occurred concerning the three payment group options and clarification of types of payments which incur costs for the District. Mr. Perea commented that there are no fees or costs to the District for customers who use payment group option one, but that staff would like to implement a convenience fee for payment group options two and three. Mr. Ruiz added that staff will present more information based on the requested proposals at the Regular Board Meeting.

RECOMMENDED ACTION:

The Committee recommended that the information concerning the Customer Utility Bill Payment Options be forwarded to the Board for discussion (Action Calendar).

**ITEM 4: TRABUCO CANYON WATER DISTRICT WATER RELIABILITY AND EMERGENCY STORAGE FEE
(WRESF) ANALYSIS**

Mr. Ruiz presented this matter to the Committee for their review, and commented on the history and purpose of the Water Reliability and Emergency Storage Fee (WRESF). Mr. Ruiz added that staff had met with the District Treasurer and District Legal Counsel concerning the matter and to evaluate potential modifications to the current WRESF rate structure and fee modification process. Mr. Ruiz presented the following handouts for Committee review:

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1. ***WRESF Fee Structure as presented in the Proposition 218 Public Notice dated September, 2009.***
Mr. Ruiz reviewed the projects funded by the WRESF, and commented that the Reservoir project is not completed to date. Mr. Ruiz added that although some of the project costs have been adjusted, that the budget total has not changed from the originally approved total at the November 18, 2009, Public Hearing. Discussion occurred concerning the WRESF Fee Structure and methodology; Mr. Ruiz commented that the Fee Structure used a baseline of one-inch water meters for fee determination.

2. ***WRESF Fee Waiver Application***
Mr. Ruiz commented that the Fee Waiver process was implemented after the Proposition 218 process, was applicable to the WRESF only, and was in actuality a fee reduction, not a waiver. Mr. Ruiz reviewed the current criteria for application approval, and commented that the WRESF is based on meter size and demand on the system. Mr. Ruiz added that the WRESF is different than the District's flat rates, as those charges include capacity and readiness to serve water to District customers.

3. ***WRESF Fee Evaluation Analysis***
Mr. Ruiz presented and reviewed staff's WRESF Fee Evaluation Analysis, and commented that the financial requirements for the District's WRESF Projects will be met with the implementation of the fee modification process. Mr. Ruiz reviewed the applicant criteria with the Committee:
 - Residential Customers;
 - Running Annual Average of 36 billing units or less per month;
 - Once approved, the Fee Reduction remains with the account holder, and does not require an annual renewal

Discussion occurred concerning public notification of the changes to the WRESF Fee Modification Process; Mr. Ruiz mentioned that staff will notify customers through the On Tap Newsletter and the District website. Mr. Dopudja addressed Mr. Jay Gentile, District customer, in the audience and asked if there were any questions or comments concerning the proposed fee reduction process; Mr. Gentile commented that the proposed action met his concerns. Discussion occurred concerning water demands and consumption, and the correlation with water meter size. Mr. Haselton commended staff for addressing the issue raised by customers.

RECOMMENDED ACTION:

The Committee recommended that the Water Reliability and Emergency Storage Fee (WRESF) Analysis and a proposed Resolution to be forwarded to the Board for discussion (Action Calendar).

ITEM 5: OTHER MATTERS

Mr. Ruiz commented that there were no other matters for discussion.

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RECOMMENDED ACTION:

No action taken.

ITEM 6: FINANCIAL REPORT

Mr. Ruiz presented the January, 2014, Unaudited Financials for Committee review, and commented that there were no anomalies in the report for the month. Mr. Ruiz commented on the following matters:

STATEMENT OF REVENUES AND EXPENSES

Operating Revenue, Residential Water: Mr. Ruiz commented that this line item was higher than last month.

Operating Revenue, Irrigation Water: Mr. Ruiz commented that this line item was higher than last month value due to increased water sales.

Operating Revenue, Recycled and Reclaimed Revenue: Mr. Ruiz commented that this line item was lower than last month due to decrease demand from the Dove Canyon Golf Course.

Operating Expenses, Source of Supply: Mr. Ruiz commented that this line item was higher than the Prior Year to Date due to the increase in imported water.

Total Operating Expenses: Mr. Ruiz commented that this line item was higher due to the corresponding increase in imported water treatment and pumping costs.

WRES: Mr. Ruiz highlighted this line item in reference to Agenda Item No. 4.

COMPARATIVE BALANCE SHEET REVIEW

Accrued Bond Interest: Mr. Ruiz commented that this line item reflects Series A, B, and C Bond payments.

Developer Deposits: Mr. Ruiz commented that this line item reflects a recent deposit from the Sky Ridge Developer.

RESTRICTED ASSETS REPORT

Baker Water Treatment Plant: Mr. Ruiz commented that the District has received the first Project Invoice for payment in the amount of \$124,000.

INVESTMENT SCHEDULE

Mr. Ruiz reported that the District received lower earnings this month on its investments.

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RECOMMENDED ACTION:

The Committee recommended that the Board receive and file the January, 2014, Unaudited Financial Statement, as presented (Consent Calendar).

ITEM 6B: BILLS FOR CONSIDERATION

Mr. Ruiz presented the bills for consideration for February 5, 2014.

RECOMMENDED ACTION:

The Committee signed the bills for consideration and the warrant register, and recommended that the Board ratify payment of bills for consideration for February 5, 2014, as presented (Consent Calendar).

ADJOURNMENT

Mr. Dopudja adjourned the February 5, 2014, Finance/Audit Committee Meeting at 7:44 A.M.