

**TRABUCO CANYON WATER DISTRICT  
FINANCE AUDIT COMMITTEE MEETING RECAP  
APRIL2, 2014**

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**DIRECTORS PRESENT**

Committee Chair Stephen Dopudja  
Committee Member James Haselton

**STAFF PRESENT**

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

**PUBLIC PRESENT**

There were members of the public present

**CALL MEETING TO ORDER**

Mr. Dopudja called the April 2, 2014, Finance/Audit Committee Meeting to order at 7:02 A.M.

**VISITOR PARTICIPATION**

No visitor participation was received.

**ORAL COMMUNICATION**

No oral communication was received.

**COMMITTEE MEMBER COMMENTS**

Mr. Haselton had no comments.

Mr. Dopudja commented on his attendance at the South County Water Agencies Meeting and the review of the Municipal Water District of Orange County (MWDOC) Fiscal Year 2014/2015 Budget. Mr. Dopudja commented on the Core versus Choice Budget items and that MWDOC staff appeared to be receptive to the comments made by the member agencies in attendance.

**REPORT FROM THE GENERAL MANAGER**

Mr. Ruiz had no items to report to the Committee which were not included in the agenda.

**ITEM 1: FINANCE/AUDIT COMMITTEE MEETING RECAP**

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

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## **FINANCE AUDIT COMMITTEE MEETING RECAP**

**APRIL 2, 2014**

### **RECOMMENDED ACTION:**

The Committee approved and recommended that the March 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**

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The Committee reviewed the information presented, and had no comments.

### **RECOMMENDED ACTION:**

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

### **ITEM 3: TCWD NETWORK INFRASTRUCTURE AND DESKTOP SYSTEM UPGRADES**

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Mr. Ruiz presented this matter and commented that this was a Capital Improvement Project which was approved by the Board for Fiscal Year 2013/2014. Mr. Ruiz added that this Project was approved at a "C" level, but that due to the recent developments concerning Microsoft Windows XP Operating System that District staff would like to move this Project to an "A" level. Mr. Ruiz added that the computer workstations currently used by District staff are approximately nine years old and are approaching the end of their service life. Mr. Perea commented that District staff had requested a proposal from Synoptek, Inc. (the District's Contract Information Technology Manager) for a solution to address the discontinued support for Windows XP by Microsoft. Mr. Perea presented the proposal which includes upgraded computer workstations and a Citrix Server overlay on the existing Windows Small Business Server environment from Synoptek for Committee review. Mr. Perea commented that District staff recommends the replacement of the workstations located at the Administration Facility at this time only, and that the workstations at the remote District facilities do not use Windows XP. Mr. Dopudja recommended that the workstations at the remote District facilities be upgraded as well due to having one system that Operations staff can use at the Administration Facility and Remote Facilities, as well as the efficiency of maintaining one operating system. Discussion occurred concerning the hardware and labor costs proposed in the proposal. Mr. Dopudja recommended that District staff request a revised proposal from Synoptek and other companies to include the replacement of the District's workstations at the Administration Facility and the Remote Facilities, and present the different options to the Board for review.

### **RECOMMENDED ACTION:**

The Committee recommended that District staff request a revised quote to included additional hardware and revised costs for Board review at the Regular Board Meeting (Action Calendar).

### **ITEM 4: MET/MWDOC DRAFT FISCAL YEAR 2014/2015 BUDGET AND RATES**

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Mr. Ruiz presented this matter for Committee review, and presented a handout prepared by MET which was distributed at MWDOC's General Manager's Meeting. Mr. Ruiz mentioned that MET's

## **FINANCE AUDIT COMMITTEE MEETING RECAP**

**APRIL 2, 2014**

reserves were projected to end \$320M above the reserve limit of higher than expected for Fiscal Year 2013/2014, and there was no action on MET's Ad Valorem tax for the upcoming Fiscal Year. MET proposes to use \$320M as follows: \$100M deposited to the Refurbishment and Replacement Fund; \$100M deposited to OPEB Trust to reduce the annual required contribution; and \$120M to a new Water Management Fund to cover future storage and drought related costs, including drought response programs.

Mr. Ruiz briefly reviewed the four rate increase scenarios proposed by MET. Mr. Ruiz discussed MET's preferred Rate Scenario A which consists of a 1.5% increase in Fiscal Year 2014/2015, and another 1.5% increase the following year. Discussion occurred concerning Ad Valorem Taxes and future projections. Mr. Ruiz reviewed the Full Service Untreated and Treated Volumetric Cost per Acre-Foot which will impact the District. Discussion occurred concerning the reviewed costs, Readiness to Serve and Capacity Charges, and MET's methodology for the development for the projected rates. Mr. Ruiz mentioned that based on the MET Untreated and Treated Water Rates the net impact to the District is negligible.

### **MWDOC DRAFT Fiscal Year 2014/2015 Budget**

Mr. Ruiz presented an additional handout prepared by MWDOC which reviewed the First Draft of MWDOC's Budget for Fiscal Year 2014/2015, and discussed the rate history and projections. Discussion occurred concerning meter charges and commodity charges. Mr. Ruiz reviewed the treated water rate increases from MET and MWDOC, and the Outside Funding Received by MWDOC to date. Mr. Ruiz reviewed the six guiding budget principles as presented by MWDOC. Discussion occurred concerning program efficiencies and priorities. Discussion occurred concerning matters reviewed and discussed at the South County Agencies Meeting regarding the MWDOC Budget, which were incorporated in the MWDOC presentation.

Discussion occurred concerning Regional Water Reliability Issues, including the Doheny and Poseidon Desalination Plants. Mr. Ruiz highlighted the Water Use Efficiency Master Plan and Programs, including the Recycled Water Retrofit Pilot Program. Mr. Ruiz commented on the effectiveness of Water Emergency Response of Orange County (WEROC) and that MWDOC is considering the addition of another full-time employee to assist the department. Discussion occurred concerning fuel resource availability during times for extended emergency conditions. Mr. Ruiz reviewed the CORE Budget and Expense Variances with the Committee. Discussion occurred concerning Election Expenses and the proposed increased Engineering Expenses.

### ***MWDOC CORE & CHOICE Program Changes for Fiscal Year 2014/2015***

Mr. Ruiz reviewed the proposed program changes with the Committee and mentioned that District staff is preparing a water use efficiency presentation for the Board. Discussion occurred concerning the proposed CORE versus CHOICE programs and changes for the year, and the costs associated with desalination treatment.

**FINANCE AUDIT COMMITTEE MEETING RECAP  
APRIL 2, 2014**

***MWDOC Budget Schedule***

Mr. Ruiz reviewed MWDOC's Budget Schedule with the Committee. Mr. Ruiz mentioned that member agencies are requested to submit comments to MWDOC before April 15, and that CHOICE decisions are requested by the end of April 15. Mr. Ruiz added that the Finance/Audit Committee Meeting will include the final Budget information from MET and MWDOC. Discussion occurred concerning the scheduling of a Special Board Meeting Budget Workshop in the month of May.

**RECOMMENDED ACTION:**

The Committee recommended that the MET and MWDOC Fiscal Year 2014/2015 Budgets and Rates Information be forwarded to the Board for review and discussion (Action Calendar).

**ITEM 5: OTHER MATTERS**

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

**RECOMMENDED ACTION:**

There was no recommended action.

**ITEM 6: FINANCIAL REPORT**

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Mr. Ruiz presented the Unaudited Financials for February, 2014, for Committee review, and highlighted the following items:

***Statement of Revenues and Expenses***

- Operating Revenue, Residential Water

Mr. Ruiz noted the residential water revenue for the month.

- Operating Revenue, Irrigation Water

Mr. Ruiz commented that the Nurseries are using purchased water as opposed to their groundwater.

- Operating Revenue, Recycled & Reclaimed Revenue

Mr. Ruiz noted the increase in revenue for the month.

- Operating Expenses, Urban Runoff & Recovery

Mr. Ruiz commented that the increase in costs were due to the purchase of a new boat motor and algae treatment with copper sulfate for application at Dove Lake.

- Operating Expenses, Salaries & Benefits

Mr. Ruiz commented that there was a decrease in March, but that there will likely be a slight increase in April due to additional overtime for work performed by the Water Department at the Dimension Water Treatment Plant.

**FINANCE AUDIT COMMITTEE MEETING RECAP  
APRIL 2, 2014**

***Comparative Balance Sheet***

- Construction in Progress

Mr. Ruiz noted that this line item increased due to capital costs associated with the Baker Water Treatment Plant, the Alternate Raw Water Transmission Line Project, Shadow Rock Detention Basin Facility, and the District Website Upgrade Project.

***Restricted Assets Report***

- Baker Water Treatment Plant

Mr. Ruiz noted that this line item was lower than last month due to the payment of the first project invoice.

**RECOMMENDED ACTION:**

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

**ITEM 6B: FINANCIAL REPORT**

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Mr. Ruiz presented the bills for consideration for April 2, 2014.

**RECOMMENDED ACTION:**

The Committee signed the bills for consideration and the warrant register, and recommended that the Board ratify payment of the bills for consideration for April 2, 2014, as presented (Consent Calendar).

**ADJOURNMENT**

Mr. Dopudja adjourned the April 2, 2014, Finance/Audit Committee Meeting at 8:16 A.M.