

**TRABUCO CANYON WATER DISTRICT  
FINANCE/AUDIT COMMITTEE MEETING RECAP  
APRIL 4, 2012**

**DIRECTORS PRESENT**

Jim Haselton, Committee Chair  
Ed Mandich, Alternate Committee Member

**STAFF PRESENT**

Don Chadd, General Manager  
Hector Ruiz, District Engineer  
Teresa Teichman, Secretary to the Board of Directors  
Michael Perea, Special Project Manager  
Karen Warner, Accounting Supervisor  
Cindy Navaroli, District Treasurer

**PUBLIC PRESENT**

No members of the public were present.

**CALL MEETING TO ORDER**

Committee Chair Haselton called the April 4, 2012 Finance/Audit Committee Meeting to order at 7:04 a.m.

**VISITOR PARTICIPATION**

Public comments were announced. No comments were received.

**ORAL COMMUNICATION**

Oral communication was announced. No comments were received.

**COMMITTEE MEMBER COMMENTS**

Director Haselton thanked Director Mandich for his availability at today's committee meeting.

**REPORT FROM THE GENERAL MANAGER**

Mr. Don Chadd, General Manager, distributed a copy of MWDOC's Draft Budget for CORE & CHOICE Programs for 2012-13. Mr. Chadd commented that this document contains a breakdown of wholesale rates by retail agency. Mr. Chadd discussed untreated Tier 1 rates, stating that is the number one source of water which TCWD purchases and treats at the Dimension Water Treatment Plant. Mr. Chadd provided a comparison of costs to treat water from a neighboring water district and noted the additional cost to TCWD is in the cost of electric required to bring the water up to elevation along with the cost of one water operator and chemicals. Mr. Chadd advised this confirms TCWD is able to pay less for water by

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processing untreated water through TCWD's Dimension Water Treatment Plant. Mr. Chadd believes by TCWD participating in the Baker Regional Water Treatment Facility, once the plant comes on-line, TCWD will be able to receive water from that source less expensively than through the Diemer Plant.

Director Haselton recommended presenting this information to the full Board at the time of the April, 18, 2012 Regular Board Meeting.

### **FINANCIAL MATTERS**

#### **ITEM NO. 1: FINANCE/AUDIT COMMITTEE MEETING RECAP**

The March 7, 2012 Finance/Audit Committee Meeting Recap was presented to the Committee.

**Recommendation:** The Committee recommended that the March 7, 2012 Finance/Audit Committee Meeting Recap be received and filed by the Board. (Consent Calendar).

#### **ITEM NO. 2: RATIFICATION OF DIRECTORS' FEES AND EXPENSES AND FUTURE MEETINGS**

The Committee reviewed this matter. Mr. Mandich noted for April's calendar to reflect his attendance at today's Finance/Audit Committee meeting.

**Recommendation:** The Committee recommended that the Directors' expenses for February/March 2012 and fees for February/March 2012 be forwarded to the Board for ratification. (Consent Calendar).

#### **ITEM NO. 3) STATUS UPDATE AND POSSIBLE ACTION RELATING TO THE FINANCIAL STATEMENT AUDIT REQUEST FOR PROPOSALS**

Ms. Cindy Navaroli, TCWD Contract Accountant and Treasurer, presented this item. Ms. Navaroli advised best management practices dictate audit firms change every five years and TCWD has been with the current audit firm for 8-9 years. Ms. Navaroli provided a handout and advised she sent out four requests for proposals (RFP) to qualified audit firms and received three responses back. Ms. Navaroli stated she has worked with all three firms through other agencies and they are all very good. Ms. Navaroli reviewed each of their experiences as it relates specifically to small Special Districts. Ms. Navaroli noted all three firms were competitive in price. Ms. Navaroli pointed out one of the firms, Mayor Hoffman McCann were the auditors during the time of the Bell scandal and perception may be a concern. Ms. Navaroli recommended the audit firm of Charles Fedak & Company.

Discussion occurred relating to the fourth audit firm that did not respond along with discussion of audit fees.

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**Recommendation:** The committee received the information and recommended bringing the information to the Board. (Action Calendar).

### ITEM NO. 4: DISCUSSION AND POSSIBLE ACTION RELATING TO ACTIVITIES FOR WATER AWARENESS MONTH

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Mr. Chadd advised TCWD has placed information in April's issue of On-Tap to apprise TCWD customers of the activities for Water Awareness Month. Mr. Chadd advised that the anticipated costs of the shuttle service, to accommodate both the Water and Wastewater tours, will be under \$1,200.00. Mr. Chadd advised he may have homeowner associations within the District advertise the event and is considering placing an ad in the local newspaper. Mr. Chadd advised once reservation responses are received, Staff will reserve the shuttles for the May 12<sup>th</sup> event. Mr. Chadd reviewed the proposed district facilities to be tour.

Discussion occurred relating to the percent TCWD's local wells contribute to the overall customer demand for potable water.

**Recommendation:** *The committee received and filed the information.*

### ITEM NO. 5: DISCUSSION AND POSSIBLE ACTION RELATING TO TCWD BUDGET DEVELOPMENT PROCESS REVIEW

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Mr. Chadd advised he will be meeting with the Supervisor of each department as it relates to anticipated equipment needs for next year's budget. Mr. Chadd discussed a \$5,000.00 threshold as it relates to depreciation. Mr. Chadd also stated he will be meeting with Ms. Navaroli next week as it relates to the budget. Mr. Chadd discussed Metropolitan Water Districts forecast of cost and discussed at 7.5% increase for 2013 and a 5% increase for 2014.

Mr. Chadd advised there are other Staff recommendations of percentage of increases being discussed at this time. Mr. Chadd advised he will be meeting with Mr. Ruiz to discuss assumptions for the upcoming budget. Mr. Chadd also indicated Mr. Michael Perea, Special Project manager, will obtain the proposed increases as it relates to benefits.

Mr. Chadd suggested conducting a Special Board Workshop on Saturday, May 19 or 26, 2012 in order to discuss the budget in more detail.

**Recommendation:** *The Committee recommended bringing the information to the Board. (Action Calendar).*

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### ITEM NO. 6: OTHER MATTERS

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Mr. Chadd distributed a First Draft of MWDOC Budget and Discussion of Budget Issues for 2012-13. Mr. Chadd stated this document represents moderate success as it relates to the Efforts by Director Safranski and many others in South County over the past four-years. Mr. Chadd referred to page 7 of the document and discussed what appears to be a trend which TCWD may need to address as it relates to fixed charges. It appears MWDOC may be shifting from commodity rates to fixed charges in order to better predict income. Mr. Chadd discussed the option of TCWD opting out of certain projects, such as the Huntington Beach Desalter. Mr. Chadd reviewed additional information as it relates to MWDOC's projected plan to address rates through connection charges which would provide a more secure business model for wholesale agencies.

### ITEM NO. 7A: PRESENTATION OF JANUARY 2012 UNAUDITED FINANCIAL STATEMENT

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Ms. Navaroli presented February 29, 2012 unaudited financial statements. Ms. Navaroli discussed the comparative balance sheet and explained any negative figures. Ms. Navaroli reviewed revenues and expenses and explained changes in the allocation of interest payments, insurance refunding, timing of tax collections, and the increase to operating expenses for February due to legal costs. Mr. Chadd noted a new financial process wherein staff time for capital projects will now be attributed to the actual project costs. Ms. Navaroli explained the reason for the large increase to other Post-Employment benefits for February, 2012. Ms. Navaroli stated pages three through six are comparable, though interest rates from LAIF remain low and advised there may be better opportunities which will be reviewed during the budget preparation process.

Vice President Haselton thanked Ms. Navaroli for attending the Finance/Audit Committee meeting and her in-depth review of the financials. Mr. Haselton commented that as water rates go up TCWD needs to continue its vigilance along with keeping on top of future cost of retirement funding.

**Recommendation:**     *The Committee recommended that the Board receive and file the February 29, 2011 preliminary unaudited financial statement, as presented. (Consent Calendar).*

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**ITEM NO. 7B: BILLS FOR CONSIDERATION**

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The bills for consideration were presented.

**Recommendation:** *The Committee recommended that the Board ratify payment of March 20, 2012 bills for consideration in the amount of \$184,063.94 and the April 4, 2012 bills for consideration in the amount of \$164,028.26 and the March 2012 payroll in the amount of \$148,070.8 as presented. (Consent Calendar).*

**ADJOURNMENT**

Committee Chair Haselton adjourned the April 4, 2012 Finance/Audit Committee Meeting at 7:40 a.m.

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