

**TRABUCO CANYON WATER DISTRICT
FINANCE AUDIT COMMITTEE MEETING RECAP
MAY 7, 2014**

DIRECTORS PRESENT

Committee Member James Haselton
Committee Member Alternate, Glenn Acosta

DIRECTORS ABSENT

Committee Chair Stephen Dopudja

STAFF PRESENT

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

PUBLIC PRESENT

There were no members of the public present

CALL MEETING TO ORDER

Mr. Haselton called the May 7, 2014, Finance/Audit Committee Meeting to order at 7:01 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. Acosta had no comments.

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 April 2, 2014, Finance/Audit Committee Meeting Recap was presented to the Committee.

**FINANCE AUDIT COMMITTEE MEETING RECAP
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RECOMMENDED ACTION:

The Committee approved and recommended that the April 2, 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.

RECOMMENDED ACTION:

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

**ITEM 3: DISCUSSION AND POSSIBLE ACTION(S) CONCERNING MET/MWDOC DRAFT FISCAL YEAR
2014/2015 BUDGET AND RATES**

Mr. Ruiz provided a status update concerning this matter, and presented a handout of the MWDOC DRAFT Fiscal Year 2014/2015 projected water rates. Discussion occurred concerning the untreated and treated water rates for the year. Mr. Ruiz reviewed the MWDOC DRAFT Choice Services Program, which included the proposed budgets for the Water Use Efficiency, School, and Value of Water Communication Programs. Discussion occurred concerning the Value of Water Communications Program and the program's goals; Mr. Ruiz mentioned that it is a newly developed program and is largely undefined, but that District staff recommends budgeting for participation in the program as the District does not have a dedicated Public Affairs staff member, and that staff can determine the District's future involvement at a later date once the program is clearly defined. Mr. Ruiz reviewed the Water Use Efficiency allocation, and mentioned that District staff has met with MWDOC staff to review the current rebate program participation levels. Mr. Ruiz added that District staff will deliver a Powerpoint presentation at the Regular Board Meeting which will review the current rebates offered to customers and make recommendations on possible enhancements. Discussion occurred concerning the rebate programs currently available to District customers. Mr. Ruiz reviewed the additional CHOICE Programs with the Committee which included the Poseidon Desal and Water Education School Programs. Discussion occurred concerning continued participation and support for the desalination project and projected costs for the District. Mr. Ruiz reviewed the MWDOC Fiscal Year 2014/2015 Imported Water Rates and Charges which included highlights of the Increment Rate, Meter Charge Rate, Capacity Charge and Readiness to Serve costs. Discussion occurred concerning the impacts of the Statewide Drought on the District's increased funding and participation in MWDOC's Rebate Programs.

RECOMMENDED ACTION:

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

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**ITEM 4: DISCUSSION AND POSSIBLE ACTION(S) CONCERNING TCWD'S FISCAL YEAR 2014/2015
GENERAL AND CAPITAL IMPROVEMENT BUDGETS**

Mr. Ruiz presented this matter and commented that this was the District's first full year with the new Financial Software System. Mr. Ruiz reviewed the budget assumptions for Fiscal Year 2014/2015, and highlighted that the projected untreated and treated water sales for the District will be approximately 3,000 acre-feet. Discussion occurred concerning water purchased from the Santiago Aqueduct Commission. Mr. Ruiz provided a proposed budget handout and reviewed the additional budget assumptions and costs, which included election costs, employee health benefits, energy and fuel costs, chemicals for water treatment, and property/liability/ workers compensation insurance. Mr. Ruiz reviewed the budget summary which included the projected revenues, expenses, interest from Community Facility Districts (CFDs) and State Revolving Fund, District Reserves, and proposed major repairs and expenses. Discussion occurred concerning District reserves and redevelopment money owed to the District. Mr. Ruiz mentioned that Fiscal Year 2014/2015 is the last year that the District will levy taxes for CFD No. 2 in Portola Hills. Discussion occurred concerning methods of notifying District customers of this reduction in their taxes; Mr. Ruiz commented that District staff will use the On Tap Monthly Newsletter and the District website to notify customers.

Mr. Ruiz reviewed the proposed Fiscal Year 2014/2015 Capital Improvement Projects (CIP) Budget, which included highlights of major repairs and expenses, the 2015 Urban Water Management Plan, a SCADA Master Plan and Study, Dimension Water Treatment Plant Clearwell, and a study to evaluate upgrades to the Recycled Water Pump Station. Mr. Ruiz presented the proposed Fiscal Year 2014/2015 Operating Budget (Schedule B) for Committee review and highlighted Operating Revenues, Residential and Irrigation Water Sales, Operating Expenses, Employee Salaries and Benefits, and Supplies and Services. Discussion occurred concerning the utilization of interns to augment District staff, and the benefits to District staff from the planned Computerized Maintenance Management System (CMMS) implementation. Mr. Ruiz added that the proposed CIP Budget has been agendized for discussion with the Engineering/Operational Committee, as well as at the Regular Board Meeting.

RECOMMENDED ACTION:

The Committee recommended that the TCWD Fiscal Year 2014/2015 General and Capital Improvement Budgets information be forwarded to the Board for review and discussion (Action Calendar).

ITEM 5: OTHER MATTERS

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

RECOMMENDED ACTION:

There was no recommended action.

ITEM 6: FINANCIAL REPORT

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

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Statement of Revenues and Expenses

- Operating Revenue, Residential Water

Mr. Byerrum commented that the decrease in revenue was due to a lower water demand.

- Non-Operating Revenue, Other Non-Operating Revenue

Mr. Byerrum commented that the increase was due to a refund from ACWA/JPIA (the District's Insurer) based on the performance of the pooled group.

- Operating Revenue, Source of Supply

Mr. Byerrum commented that the decrease in revenue was due to a lower water demand.

- Operating Expenses, Urban Runoff & Recovery

Mr. Byerrum commented that the increase was due to the payment of the District's fees to the State Department of Dam Safety.

- Net Income

Mr. Byerrum reported that the Net Income was negative for the month.

Comparative Balance Sheet

- Construction in Progress

Mr. Byerrum commented that the increase was due to Shadow Rock Detention Basin Facility Project.

Restricted Assets Report

- LAIF, Special Designation

Mr. Byerrum commented that the decrease was due to the District's funding of the Other Post Employment Benefit (OPEB) obligation through the CalPERS CERBT as approved by the Board of Directors. Discussion occurred concerning GASB Reporting requirements. The Committee commended District staff on the funding of the District's OPEB and the reduction of unfunded liabilities.

Investment Schedule

- Discussion occurred concerning the interest rate of return on the District's investments through LAIF.

RECOMMENDED ACTION:

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

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ITEM 6B: FINANCIAL REPORT

Mr. Ruiz presented the bills for consideration for May 7, 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 May 7, 2014, as presented (Consent Calendar).

ADJOURNMENT

Mr. Haselton adjourned the May 7, 2014, Finance/Audit Committee Meeting at 8:16 A.M.