



**TRABUCO CANYON WATER DISTRICT
FINANCE/AUDIT COMMITTEE MEETING RECAP | APRIL 12, 2017**

DIRECTORS PRESENT

Director Don Chadd, Committee Chair
Director Glenn Acosta, Committee Member

STAFF PRESENT

Hector Ruiz, General Manager
Michael Perea, District Secretary
Lisa Marie Sangi, Administrative Assistant

DISTRICT CONSULTANTS PRESENT

Cindy Byerrum, District Treasurer (Platinum Consultants)

PUBLIC PRESENT

There were no members of the public present

CALL MEETING TO ORDER

Director Chadd called the April 12, 2017 Finance/Audit Committee Meeting to order at 6:05 P.M.

VISITOR PARTICIPATION

No visitor participation was received.

ORAL COMMUNICATION

No oral communication was received.

COMMITTEE MEMBER COMMENTS

No Committee Member comments were received.

REPORT FROM THE GENERAL MANAGER

Mr. Ruiz reported that there are currently schedule conflicts with the originally planned May 10, 2017 Finance/Audit Committee Meeting, and requested an alternate day and time for the meeting. Discussion occurred concerning alternate times for the meeting. The Committee directed the General Manager to schedule the Finance/Audit Committee Meeting for May 4, 2017, at 6:00PM, and to coordinate with Director Safranski to fill in as the Alternate Committee Member.

Mr. Ruiz reported that Santa Margarita Water District (SMWD) is hosting the Association of California Water Agencies (ACWA) President on April 27, 2017, at their Main Office, and that he plans to attend the event. Mr. Ruiz added that if there is interest from the Committee to attend that they can coordinate with Mr. Perea.

ITEM 1: FINANCE/AUDIT COMMITTEE MEETING RECAP

The March 8, 2017 Finance/Audit Committee Meeting Recap was presented to the Committee.

RECOMMENDED ACTION:

Director Chadd and Mr. Perea approved and recommended that the March 8, 2017, Finance/Audit Committee Meeting Recap be received and filed by the Board (Consent Calendar).

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

The Committee reviewed the information presented. Discussion occurred concerning the Municipal Water District of Orange County (MWDOC) Semi-Annual Elected Officials Forum on April 26, 2017; Director Acosta requested that Mr. Perea register his attendance at the event.

RECOMMENDED ACTION:

The Committee recommended that the Directors' expenses and fees for March 2017, and the tentative future meetings be forwarded to the Board for ratification as presented (Consent Calendar).

ITEM 3: DISCUSSION AND POSSIBLE ACTION(S) CONCERNING MUNICIPAL WATER DISTRICT OF ORANGE COUNTY (MWDOC) FISCAL YEAR 2017/2018 PROPOSED RATES, CHARGES, AND BUDGET

Mr. Ruiz presented this matter for Committee review, and mentioned that no action was required. Mr. Ruiz provided handouts of comment letters from Irvine Ranch Water District (IRWD), Moulton Niguel Water District (MNWD), and SMWD that have been submitted to MWDOC on their proposed Fiscal Year 2017/2018 Budget, and mentioned that he is currently preparing a similar comment letter to submit to MWDOC on behalf of the District. Mr. Ruiz provided a copy of MWDOC's second draft Fiscal Year 2017/2018 Budget and a handout on the MWDOC Reserve Policy and PFM Policy Advisors Memo Report for Committee review and comment. Director Chadd inquired as to the overall concerns with MWDOC's budget expressed by the other member agencies. Mr. Ruiz mentioned that the other agencies expressed concern with the planned Federal Affairs position and Grant Support as CORE positions, and instead recommended that the positions be budgeted as CHOICE programs for agency voluntary participation, if necessary. Discussion occurred concerning budgetary challenges, member agency benefits, and the roles of MWDOC and Metropolitan Water District of Southern California (MET). Director Chadd commented that the Federal Affairs position is a role better suited for MET than MWDOC.

RECOMMENDED ACTION:

The Committee received the information concerning the matter, and recommended that the matter be forwarded to the Board (Action Calendar).

ITEM 4: DISCUSSION AND POSSIBLE ACTION(S) CONCERNING TRABUCO CANYON WATER DISTRICT'S FISCAL YEAR 2017/2018 CAPITAL IMPROVEMENT PROGRAM (CIP) AND GENERAL FUND BUDGETS

Mr. Ruiz provided a status update on this matter, and reported that the Engineering/Operational Committee received an update on certain Fiscal Year 2016/2017 CIP projects that have been designated for completion in the following year. Mr. Ruiz added that District Operations staff has determined that the Reclaimed Water Storage Reservoir Level and Dissolved Oxygen Level Monitoring Project should be cancelled due to other completed aeration improvements consisting of surface aerators at the reservoir that have made this project unnecessary. Mr. Ruiz added that the Recycled Water Pump Stations Replacement Phase One project, a preliminary study phase, was on track for completion this year per the direction of the Board. Mr. Ruiz presented and briefly reviewed the Fiscal Year 2017/2018 CIP projects with the Committee, and mentioned that he is working with District staff to finalize information related to certain projects in preparation for the May 22, 2017 Special Board Meeting - Budget Workshop. Director Chadd asked Ms. Byerrum to provide an update concerning the General Fund Budget; Ms. Byerrum commended Ms. Karen Warner, Senior Accountant, for her work on the budget. Discussion occurred concerning the continuance of the Temporary Revenue Stabilization Charge (TRSC); Ms. Byerrum mentioned that District staff is currently reviewing the necessity of continuing the TRSC through Fiscal Year 2017/2018, but that it is dependent on the impact of source of supply costs.

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RECOMMENDED ACTION:

The Committee received the information concerning the matter, and recommended that the matter be forwarded to the Board (Action Calendar).

ITEM 5: OTHER FINANCE AND ADMINISTRATION PROJECTS

1. Network Infrastructure Upgrade/Replacement:

Mr. Perea provided a project update, and mentioned that District staff has been working with Synoptek to prepare the servers for integration and deployment of the new utility billing and financial system software by Tyler Technologies.

2. Utility Billing and Financial Management System Replacement update:

Mr. Perea reported that District staff is currently participating in routine bi-weekly conference calls for training purposes and status updates related to this project with Tyler Technologies, and that this project is occurring in parallel with the Network Infrastructure Upgrade/Replacement Project. Mr. Perea reported that the Incode software system is anticipated to be installed by the end of the week for initial configuration setup. Discussion occurred concerning the coordination of the completion of the District's Chart of Accounts and the configuration setup of the Incode solution to the network servers.

3. Baker Water Treatment Plant Partner Agency Billing

Mr. Ruiz reported that he is scheduled to meet with City of San Clemente staff to follow up on the development of language for a Memorandum of Understanding (MOU) for the sale of excess Baker Water Treatment Plant water to the City. Mr. Ruiz added that the City of San Clemente is currently reviewing their rate setting process in accordance with Proposition 218, and the possible impacts to their rate structure by purchasing water from another retail agency.

4. Other Projects

There were no other projects discussed.

RECOMMENDED ACTION:

The Committee received the information. No action was taken.

ITEM 6: OTHER MATTERS

Mr. Ruiz reported that Baldwin & Sons (developer) had contacted him concerning the recent letter concerning Community Facilities District (CFD) No. 2, and that the developer has requested the cancellation and removal of the CFD. Mr. Ruiz briefly reviewed the Board of Directors' position as stated in the letter, and mentioned that the developer was made aware that it is the intent of the District to not issue any bonds for CFD No. 2, but that it would be preserved in the event of an emergency. Director Chadd commented that the cancellation of CFD No. 2 is not in the best interests of the rate payers.

RECOMMENDED ACTION:

The Committee received the information. No action was taken.

ITEM 7: FINANCIAL REPORT

Ms. Byerrum presented the unaudited financials for February, 2017, for Committee review, and reported that there were no anomalies. Discussion occurred concerning the following matter(s):

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Statement of Revenues and Expenses

- *Total Operating Revenue:*

Ms. Byerrum commented that this line item is lower than budgeted due to the delayed impact of the sale of Baker Water Treatment Plant water.

- *Total Operating Expenses:*

Ms. Byerrum mentioned that this line item is lower than budgeted.

- *Net Income Before OPEB & Depreciation:*

Ms. Byerrum commented that the change in this line item is due to the cumulative effect of the rate increase which is reflected in the lower negative amount than the prior year to date.

RECOMMENDED ACTION:

The Committee recommended that the Board receive and file the unaudited Financial Statement for February, 2017, as presented (Consent Calendar).

ITEM 6B: FINANCIAL REPORT

Mr. Ruiz presented the bills for consideration for April 12, 2017.

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 12, 2017, as presented (Consent Calendar).

ADJOURNMENT

Director Chadd adjourned the April 12, 2017 Finance/Audit Committee Meeting at 6:47 P.M.