



**TRABUCO CANYON WATER DISTRICT
FINANCE/AUDIT COMMITTEE MEETING RECAP | MAY 9, 2018**

DIRECTORS PRESENT

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

STAFF PRESENT

Michael Perea, Acting General Manger
Karen Warner, Senior Accountant
Lisa Marie Sangi, Administrative Assistant

DISTRICT CONSULTANTS PRESENT

Paul Kaymark – Platinum Consultants Group

PUBLIC PRESENT

There were members of the public present.

CALL MEETING TO ORDER

Director Chadd called the May 9, 2018, Finance/Audit Committee Meeting to order at 6:00 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 ACTING GENERAL MANAGER

No Acting General Manager comments were received.

ITEM 1: FINANCE/AUDIT COMMITTEE MEETING RECAP

The April 11, 2018, Finance/Audit Committee Meeting Recap was presented to the Committee.

RECOMMENDED ACTION:

The Committee approved and recommended that the April 11, 2018, 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.

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RECOMMENDED ACTION:

The Committee recommended that the Directors' expenses and fees for March 2018, and the tentative future meetings be forwarded to the Board for ratification (Consent Calendar).

ITEM 3: DISCUSSION AND POSSIBLE ACTION(S) CONCERNING INDEPENDENT AUDITING SERVICES FOR TRABUCO CANYON WATER DISTRICT

Mr. Perea presented this matter for Committee review and he had mentioned that this was discussed at the prior Finance/Audit Committee Meeting. Mr. Perea commented that the District Treasurer issued a Request for Proposal (RFP) to six firms and received responses from each firm. Mr. Perea presented and briefly reviewed the proposal from Davis Farr and he reported that both he and the District Treasurer recommend Davis Farr for independent auditing services for the District, the Trabuco Canyon Public Financing Authority, and the Trabuco Canyon Improvement Corporation. Discussion occurred concerning the length of the terms of service and the firm experience. Mr. Perea added that a comparison of the bids would be presented at the Regular Board Meeting for Board review and comment.

RECOMMENDED ACTION:

The Committee recommended that the Board of Directors authorize the Acting General Manager to execute a contract for independent auditing services for Trabuco Canyon Water District, Trabuco Canyon Improvement Corporation, and Trabuco Canyon Public Financing Authority, with Davis Farr for three-year period and not to exceed amount of \$88,330 (Action Calendar).

ITEM 4: DISCUSSION CONCERNING THE FUNDING OF TRABUCO CANYON WATER DISTRICT'S OTHER POST-EMPLOYMENT BENEFIT (OPEB) OBLIGATION

Mr. Perea presented this matter for Committee review and he reported that District staff worked with Nyhart (Consultant) for the Actuarial Valuation Report (Report) for the District's Other Post-Employment Benefits (OPEB) in accordance with the Governmental Accounting Standards Board. Mr. Perea briefly reviewed the Report with the Committee and highlighted various investment strategies for the funding the District's OPEB obligation with CalPERS CERBT. Discussion occurred concerning forecasting future District fiscal impacts related OPEB obligations.

RECOMMENDED ACTION:

The Committee recommended that the Board receive and file the Trabuco Canyon Water District Other Post-Employment Benefit (OPEB) Actuarial Valuation Report as of June 30, 2017 (Consent Calendar).

ITEM 5: TRABUCO CANYON WATER DISTRICT CAPITAL IMPROVEMENT PROGRAM (CIP) UPDATE PROPOSED FISCAL YEAR 2018/2019 CIP AND GENERAL FUND BUDGETS

Mr. Perea presented this matter for Committee review and he expressed his appreciation to District staff for their collaborative efforts in preparing the proposed Fiscal Year (FY) 2018/2019 General Fund and Capital Improvement Program (CIP) Budgets during this transition period. Mr. Perea commented that District staff utilized the Ten-Year CIP adopted as part of the 2015 Water, Wastewater, and Recycled Water Rate Study as a reference for the development of the FY 2018/2019 CIP. Mr. Perea briefly reviewed the FY 2017/2018 CIP project status update with the Committee and he indicated that certain projects would carryover into FY 2018/2019 which would impact the overall CIP Budget. Mr. Perea reviewed the proposed FY 2018/2019 CIP Budget with the Committee and he highlighted that the total number of proposed carryover and new projects indicating that there are fewer proposed projects than the prior year. Discussion occurred concerning certain proposed CIP projects. Discussion occurred concerning the District's Organizational structure and staffing levels. Mr. Perea reported that two unfilled full time positions have been since filled and made other recommendations concerning staffing levels. Mr. Perea added that he was proposing the re-classification of two existing positions commensurate with similar positions at other water agencies and that he would provide a full update to the Board at the Budget Workshop.

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Discussion occurred concerning the proposed SCADA Upgrade Project costs; Mr. Perea commented that the Board approved the procurement of SCADA hardware and that District staff will complete the next phase of the upgrade project in Fiscal Year 2018/2019.

RECOMMENDED ACTION:

The Committee received the information concerning the matter. No action was taken.

ITEM 6: DISCUSSION CONCERNING THE DEVELOPMENT OF TRABUCO CANYON WATER DISTRICT'S PURCHASING POLICY

Mr. Perea presented this matter for Committee review and he commented that District staff currently has internal purchasing procedures and checks and balances that meet state and federal requirements and have been reviewed by the District's auditors. Mr. Perea mentioned that District staff proposes the development of a formal policy that meets pending federal requirements related to grant funding, Department of Industrial Relations (DIR) public contractor registration requirements, and satisfies new property, liability, and workers compensation insurance requirements. Discussion occurred concerning the timeline for adoption; Mr. Perea commented that the proposed Procurement Policy would be prepared with the assistance of District Legal Counsel and brought back to the Committee for review prior to Board consideration for adoption at the June 20th Regular Board Meeting.

RECOMMENDED ACTION:

The Committee received the information concerning the matter and recommended that District staff work with General Legal Counsel to prepare a Purchasing Policy for Board approval.

ITEM 7: OTHER MATTERS

Mr. Perea stated there were no other matters to report.

RECOMMENDED ACTION:

The Committee received the information concerning the matter. No recommendations were made.

ITEM 8: FINANCIAL REPORT

Mr. Perea presented the bills for consideration for May 9, 2018. Mr. Perea highlighted the following items:

Statement of Revenues and Expenses, Operating Revenue, Business & Industrial Water:

Mr. Perea reported that this line item was higher than the prior month due to an incorrect meter read on a construction meter for a development in the District's service area. Mr. Perea added that the read was corrected prior to billing the customer, but not before the end of the month which resulted in the error.

RECOMMENDED ACTION:

The Committee recommended that the Board receive and file the preliminary unaudited Financial Statement for March 2018 as presented (Consent Calendar).

ITEM 8B: FINANCIAL REPORT

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 9, 2018, as presented (Consent Calendar).

ADJOURNMENT

Director Chadd adjourned the May 9, 2018, Finance/Audit Committee Meeting at 6:30 PM.