

**TRABUCO CANYON WATER DISTRICT
FINANCE AUDIT COMMITTEE MEETING RECAP
OCTOBER 1, 2014**

DIRECTORS PRESENT

Committee Chair Stephen Dopudja
Committee Member James Haselton

STAFF PRESENT

Michael Perea, District Secretary
Karen Warner, Accounting Supervisor

STAFF ABSENT

Hector Ruiz, General Manager

DISTRICT CONSULTANTS PRESENT

Cindy Byerrum, District Treasurer

PUBLIC PRESENT

There were no members of the public present

CALL MEETING TO ORDER

Mr. Dopudja called the October 1, 2014, Finance/Audit Committee Meeting to order at 7:00 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 had no comments.

REPORT FROM THE GENERAL MANAGER

Mr. Perea reported that the General Manager was not in attendance as he was out of the office for the day, and would return on September 4, 2014. Mr. Perea mentioned that District Staff coordinated with Municipal Water District of Orange County (MWDOC) to hold a California Friendly Landscape Training class at the Administrative Facility on the prior Saturday morning. Mr. Perea added that there was a good turnout of attendees and a lot of good information concerning water use efficiency.

**FINANCE AUDIT COMMITTEE MEETING RECAP
OCTOBER 1, 2014**

ITEM 1: FINANCE/AUDIT COMMITTEE MEETING RECAP

The September 3, 2014, Finance/Audit Committee Meeting Recap was presented to the Committee.

RECOMMENDED ACTION:

The Committee approved and recommended that the September 3, 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. Mr. Haselton asked Mr. Perea to RSVP for the Independent Special Districts of Orange County (ISDOC) Quarterly Meeting on October 30th; Mr. Perea confirmed that District Staff will RSVP the event on his behalf.

RECOMMENDED ACTION:

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

**ITEM 3: MUNICIPAL WATER DISTRICT OF ORANGE COUNTY (MWDOC) VALUE OF WATER
COMMUNICATIONS PLAN (CHOICE PROGRAM)**

Mr. Perea presented this matter for Committee review and mentioned that the Board had directed District Staff to budget for participation in MWDOC's Value of Water Communications Plan (Plan) and to then return at a later date for approval to participate in the plan when more information concerning the Plan was available. Mr. Perea commented that the Plan was designed to engage and educate residents and businesses in Orange County on the value of water, and to improve public trust in local water agencies. Discussion occurred concerning the District's budget for participation in the Plan; Mr. Perea commented that the Fiscal Year 2014/2015 budget for the Plan is \$178,000, but that the District's portion of that budget is a not to exceed amount of \$6,000. Mr. Perea reviewed the exhibit Value of Water Choice Communication Plan Overview and the Fiscal Year 2014/2015 Budget Detail. Mr. Perea added that District Staff have seen firsthand the benefits of the Plan, which have included valuable materials like signage, billing inserts, and notice templates for public outreach and communications during the drought. Discussion occurred concerning MWDOC member agency participation; Mr. Perea reviewed the list of agencies that are currently participating in the Plan.

RECOMMENDED ACTION:

The Committee approved and recommended that the District's participation in MWDOC's Value of Water Communication Plan (Choice Program) be forwarded to the Board (Action Calendar).

ITEM 4: DISTRICT ANNUAL FINANCIAL REPORT FOR FISCAL YEAR 2013/2014

Mr. Perea presented this matter for Committee review and commented that Charles Fedak and Company (Fedak) had completed their onsite work for the Fiscal Year 2013/2014 Annual Financial Report (Audit) in August, 2014. Mr. Perea expressed his appreciation for the hard work by Ms. Byerrum and Ms. Warner during the Audit, and that Ms. Byerrum was in attendance to answer any questions

**FINANCE AUDIT COMMITTEE MEETING RECAP
OCTOBER 1, 2014**

that the Committee may have concerning the Audit. Ms. Byerrum reviewed the Audit with the Committee and highlighted the following items:

- Independent Auditor's Report: Ms. Byerrum mentioned that Fedak reported that the District's net position decreased 1.5% due to a decrease in property tax and special assessment revenue, operating revenues increased 7.5% due to an increase in water consumption sales, and operating expenses increased 2.9% due to an increase of source of supply expense.
- TCWD Statements of Net Position: Ms. Byerrum reviewed the Statement with the Committee and mentioned that the decrease in Cash and Investments was due to costs related to the District's share in the Irvine Ranch Water District (IRWD) Baker Water Treatment Plant. Ms. Byerrum highlighted the significant reduction in Post-Employment Benefits Payable due to the District's payment into the CalPERS CERBT Trust to mitigate its Other Post Employment Benefit (OPEB) liability.
- TCWD Statements of Revenues, Expenses and Changes in Net Position: Ms. Byerrum reviewed the Statement with the Committee and mentioned that the District experienced an operating loss before depreciation. Discussion occurred concerning the impact of non-operating revenues, the collection of property taxes, and the necessity of a rate study. Ms. Byerrum recommended that the Committee consider the performance of a comprehensive rate study by a third-party consultant in the near future. Discussion occurred concerning the effectiveness of a long-range plan with incremental rate increases and the impact of a persistent statewide drought on local water agencies. Ms. Byerrum highlighted the decrease in Special Assessments for Debt Service due to the impact of the statewide dissolution of Redevelopment Agencies. Discussion occurred concerning the impact of increased property values on property assessments.

RECOMMENDED ACTION:

The Committee recommended that the District Annual Financial Report for Fiscal Year 2013/2014 be forwarded to the Board for review, receipt, and file (Action Calendar).

ITEM 5: OTHER MATTERS

Mr. Perea commented that District Staff have been notified by MWDOC that member agencies outside of the OC-88 South County Pipeline service group, which includes TCWD, are scheduled to receive a refund. Mr. Perea added that the refund is due to the metering error from incorrect programming which affected Tier 2 water charges from Metropolitan Water District of Southern California, and that TCWD is schedule to receive a check in the amount of \$4,108. Discussion occurred concerning meter calibration and programming.

RECOMMENDED ACTION:

There was no recommended action.

**FINANCE AUDIT COMMITTEE MEETING RECAP
OCTOBER 1, 2014**

ITEM 6A: FINANCIAL REPORT

Mr. Perea presented the unaudited financials for July and August, 2014, for Committee review, and commented that the report includes the final payments for the month of July and end of the fiscal year revenue and expenses. Mr. Perea highlighted the following items:

Statement of Revenues and Expenses

- Operating Revenue, Residential Water/Business & Industrial Water/Irrigation Water: Mr. Perea highlighted the three line items and mentioned that year to date was above average due to the impact of the drought on system demands.
- Operating Revenue, Other Operating Revenue: Mr. Perea commented that the current month is higher than the previous month due to the reimbursement for work completed by District Water Operations and Doty Brothers (Contractor) to repair damage from a private contractor working on a new single home development on Trabuco Oaks Drive.
- Operating Expenses, Sanitation Expense: Mr. Perea mentioned that the previous month was higher than the current month due to the preparation of a new vehicle for field use.
- Operating Expenses, Urban Runoff: Mr. Perea mentioned that the previous month is higher than the current month due to repairs at the Dove Creek Pump Station which primarily consisted of pump repairs.
- Operating Expenses, Salaries and Benefits: Mr. Perea mentioned that the current month is higher than the previous month due to an additional two more business days in the month.
- Operating Expenses, Supplies and Services: Mr. Perea mentioned that the current month is higher than the previous month due to legal fees associated with the Southern California Gas Company (SoCalGas) easement, accounting fees for the preparation of the annual financial audit, and the preparation of a Maintenance Department vehicle for field use. Mr. Perea added that the costs associated with the SoCalGas easement were recently reimbursed.

Comparative Balance Sheet

- Utility Plant, Construction in Progress: Mr. Perea mentioned that the current month was higher due to \$5,300 for the purchase of an Emergency Fuel Tender, \$16,700 for sludge hauling bins, and \$12,400 for costs associated with the Hydrant Replacement Program. Discussion occurred concerning the Hydrant Replacement Program and types of fire hydrants.

RECOMMENDED ACTION:

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

**FINANCE AUDIT COMMITTEE MEETING RECAP
OCTOBER 1, 2014**

ITEM 6B: FINANCIAL REPORT

Mr. Perea presented the bills for consideration for October 1, 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 October 1, 2014, as presented (Consent Calendar).

ADJOURNMENT

Mr. Dopudja adjourned the October 1, 2014, Finance/Audit Committee Meeting at 7:44 A.M.