

**TRABUCO CANYON WATER DISTRICT
FINANCE AUDIT COMMITTEE MEETING RECAP
MAY 13, 2015**

DIRECTORS PRESENT

Committee Chair James Haselton
Alternate Committee Member Edward Mandich

DIRECTORS ABSENT

Committee Member Michael Safranski

STAFF PRESENT

Hector Ruiz, General Manager
Michael Perea, District Secretary
Karen Warner, Accounting Supervisor
Lisa Carmouche, Administrative Assistant

DISTRICT CONSULTANTS

Cindy Byerrum, District Treasurer

PUBLIC PRESENT

There were no members of the public present

CALL MEETING TO ORDER

Mr. Haselton called the May 13, 2015, Finance/Audit Committee Meeting to order at 7:14 A.M.

VISITOR PARTICIPATION

No visitor participation was received.

ORAL COMMUNICATION

No oral communication was received.

COMMITTEE MEMBER COMMENTS

Mr. Mandich had no comments.

Mr. Haselton had no comments.

REPORT FROM THE GENERAL MANAGER

Mr. Ruiz had no comments.

**FINANCE AUDIT COMMITTEE MEETING RECAP
MAY 13, 2015**

ITEM 1: FINANCE/AUDIT COMMITTEE MEETING RECAP

The April 8, 2015, Finance/Audit Committee Meeting Recap was presented to the Committee. Mr. Mandich was not present at the April 8, 2015, Finance/Audit Committee Meeting, and had no comment.

RECOMMENDED ACTION:

Committee Chair Mr. Haselton and Mr. Perea, District Secretary, approved and recommended that the April 8, 2015, 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. Mr. Mandich commented that he did not attend the South Orange County Watershed Management Area Executive Committee Meeting, and requested that the attendance item be removed from his schedule. Mr. Haselton commented that he did not attend the Independent Special District of Orange County Meeting, and requested that the attendance item be removed from his schedule.

RECOMMENDED ACTION:

The Committee recommended that the Directors' expenses and fees for April, 2015, as amended, and the tentative future meetings be forwarded to the Board for ratification (Consent Calendar).

ITEM 3: DISCUSSION CONCERNING TCWD'S RESERVES POLICY AND RESERVES

Mr. Ruiz mentioned that this matter was reviewed the prior two months, and that Ms. Byerrum has prepared the Reserves Policy and Reserves. Ms. Byerrum reviewed the District's Reserves as of February 28, 2015 (Exhibit B), and highlighted Reserve line items 17 through 26. Mr. Haselton discussed the history and purpose of the respective Reserves; Ms. Byerrum mentioned that the origins and history of certain Reserves was unknown. Ms. Byerrum recommended that the line items 17 through 26 be defeased formally by resolution, and mentioned that the delay of the defeasement would adversely impact the preparation and adoption of the Fiscal Year 2015/2016 Budgets. Discussion occurred concerning restricted reserve categories, investment strategies, and checking account balance levels to offset banking fees. Mr. Ruiz reviewed the DRAFT Resolution No. 2015-1211 with the Committee.

RECOMMENDED ACTION:

The Committee received the information concerning the matter, and recommended that the Board adopt Resolution No. 2015-1211 – Resolution of the Board of Directors of the Trabuco Canyon Water District Adopting and Approving a Reserve Funds Policy, Designating Operating Reserve Levels, Rescinding and Superseding Certain Prior Resolutions and Taking Related Actions, and recommended that the District invest the reserves as allowed in the Board adopted Annual Investment Policy (Action Calendar).

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ITEM 4: DISCUSSION AND POSSIBLE ACTION CONCERNING TCWD'S FISCAL YEAR 2014/2015 & 2015/2016 GENERAL AND CAPITAL IMPROVEMENT PROJECT (CIP) BUDGETS

Mr. Ruiz provided a status update on this matter, and mentioned that this matter was reviewed at the May 11, 2015, Special Board Meeting Budget Workshop. Mr. Ruiz added that Ms. Byerrum was currently implementing the Board's comments and recommendations for the General Fund Budget, and that the final draft budget would be presented at the June 10, 2015, Finance/Audit Committee Meeting.

RECOMMENDED ACTION:

The Committee received the information concerning the matter. There was no recommended action.

ITEM 5: DISCUSSION AND POSSIBLE ACTION(S) CONCERNING MWDOC'S PROPOSED FISCAL YEAR 2015/2016 BUDGET

Mr. Ruiz provided a status update on this matter, and reviewed the updated MWDOC Fiscal Year 2015/2016 Budget Exhibit with the Committee. Mr. Ruiz mentioned that District staff is currently budgeting to participate in the Urban Water Management Plan and the Water Loss Control Program in the MWDOC CHOICE Budgets. Discussion occurred concerning the preparation of the 2015 Urban Water Management Plan with MWDOC or by District staff with assistance from a consulting firm.

RECOMMENDED ACTION:

The Committee received the information concerning the matter. There was no recommended action.

ITEM 6: OTHER MATTERS

Mr. Ruiz had no comments on any other matters.

RECOMMENDED ACTION:

There was no recommended action.

ITEM 7A: FINANCIAL REPORT

Ms. Byerrum presented the unaudited financials for March, 2015, for Committee review, and highlighted the following items:

Statement of Revenues and Expenses

• Operating Revenue – Total Operating Revenue:

Ms. Byerrum mentioned that the District's Total Operating Revenue was similar to the budgeted amount for this time of year. Mr. Byerrum added that Residential Water sales were lower than expected, and that Irrigation Water sales were lower than the prior month.

• Operating Expenses – Source of Supply:

Ms. Byerrum mentioned that this line item was lower than expected, and that additional costs are expected to increase due to warmer weather in the coming months.

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Discussion occurred concerning Commercial Agricultural Users impact on production water demands; Mr. Ruiz mentioned that District staff has scheduled to meet with the owners of the two Nurseries in the District's service area in the coming week to review the State Water Board proposed Emergency Regulations and to discuss the use of recycled water to offset potable water demands. Discussion occurred concerning the preparation of the planned comprehensive rate study and timeline for completion; Mr. Ruiz mentioned that District staff is currently preparing a Request for Proposal for Rate Study Services, and that District staff expects the comprehensive rate study to be completed later in the year.

RECOMMENDED ACTION:

The Committee recommended that the Board receive and file the March, 2015, unaudited Financial Statement, as presented (Consent Calendar).

ITEM 7B: FINANCIAL REPORT

Mr. Ruiz presented the bills for consideration for May 13, 2015.

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 13, 2015, as presented (Consent Calendar).

ADJOURNMENT

Mr. Haselton adjourned the May 13, 2015, Finance/Audit Committee Meeting at 7:59 A.M.