

**TRABUCO CANYON WATER DISTRICT  
FINANCE AUDIT COMMITTEE MEETING RECAP  
OCTOBER 14, 2015**

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**DIRECTORS PRESENT**

Committee Chair James Haselton  
Committee Member Michael Safranski

**STAFF PRESENT**

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

**PUBLIC PRESENT**

There were no members of the public present

**CALL MEETING TO ORDER**

Mr. Haselton called the October 14, 2015, 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**

Director Safranski had no comments.

Director Haselton had no comments.

**REPORT FROM THE GENERAL MANAGER**

Mr. Ruiz commented on the following matters:

- Mr. Ruiz presented the postcard that was mailed to the District's customers which advertised the October 19, 2015 Special Board Meeting | Rate Workshop. Mr. Ruiz added that the postcard will be posted on the District's website.
- Mr. Ruiz mentioned that District staff is currently working with auditors The Pun Group to prepare the Fiscal Year 2014/2015 Financial Audit Report.
- Mr. Ruiz highlighted the District's new signage in the Board Room which focuses on the value of water.

**ITEM 1: FINANCE/AUDIT COMMITTEE MEETING RECAP**

The September 9, 2015, Finance/Audit Committee Meeting Recap was presented to the Committee.

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FINANCE AUDIT COMMITTEE MEETING RECAP | OCTOBER 14, 2015**

**RECOMMENDED ACTION:**

The Committee approved and recommended that the September 9, 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**

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The Committee reviewed the information presented.

**RECOMMENDED ACTION:**

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

**ITEM 3: DISCUSSION AND POSSIBLE ACTION CONCERNING THE DEVELOPMENT OF TCWD'S TEN YEAR CAPITAL IMPROVEMENT PROGRAM**

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Mr. Ruiz provided a status update on this matter, and mentioned that District staff and Raftelis Financial Consultants (RFC) are currently using the DRAFT Ten Year Essential Capital Improvement Program (CIP) for the purpose of developing the District's Water, Wastewater and Recycled Water Rate Analysis. Mr. Ruiz added that the staff report has been updated with a summary which details the differences between the Original CIP and the Essential CIP, and demonstrates only essential or required capital projects resulting in an approximate \$5.8 million reduction in comparison with the Original CIP. Discussion occurred concerning CIP cost differences and the potential overall impact to the cost of services being conducted for the rate analysis. Mr. Ruiz added that at this time only those projects deemed essential are proposed for the rate analysis. Mr. Ruiz mentioned that certain projects of the Draft CIP that require further evaluation to determine their need and cost, including:

**Administration**

- AMR Meters – Mr. Ruiz mentioned that the water meters currently in the District's service area work effectively, and the meters are currently replaced as needed per the District's Meter Replacement Program. Mr. Ruiz added that replacement of the meters with new advanced meter reading technology requires a significant investment. Mr. Ruiz mentioned that District staff has tested Automatic Meter Reading (AMR) technology, however, due to the high capital cost and payback greater than fifteen years that District staff proposes maintaining the District's current Meter Replacement Program and removing the AMR line item from the CIP.

**Water**

- District-wide Pipeline Replacement – Mr. Ruiz mentioned that District staff has determined that a repair and replace as needed strategy would be a more cost efficient and effective solution as a cost control strategy, until further field and site investigations are performed.

Director Safranski commended District staff on the preparation of the Original and Essential CIP comparison summary and for their critical review of the proposed projects for the next ten years. Discussion occurred concerning key assumptions for the Analysis of Water, Wastewater, and Recycled Water Rates, and the District's history of conservative practices and efficient resource management. Mr. Ruiz commented on the District's past rate control measures through effective staffing strategies and cost absorbance, and mentioned that RFC will provide a clear cost of services analysis and explanation for the proposed rate adjustments at the scheduled October 19, 2015 Special Board Meeting/Rate Workshop. Discussion occurred concerning the importance of the proposed rate adjustments and compliance with both State legislation and recent case law.

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**RECOMMENDED ACTION:**

There was no recommended action.

**ITEM 4: OTHER MATTERS**

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Mr. Ruiz had no comments on other matters.

**RECOMMENDED ACTION:**

There was no recommended action.

**ITEM 5A: FINANCIAL REPORT**

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Mr. Ruiz presented the unaudited financials for August, 2015, for Committee review. Mr. Ruiz highlighted the following items:

***Statement of Revenues and Expenses***

- **Operating Revenue – Residential Water:**

Mr. Ruiz commented that water sales were lower than the prior month due to increased conservation efforts made by District customers. Mr. Ruiz added that District customers reduced their potable water use by 33% in August 2015 in comparison with August 2013, and that the recent rain event contributed to the reduction in water demands.

- **Operating Revenue - Total Operating Revenue:**

Mr. Ruiz mentioned that although this line item was lower than past years, it is close to Fiscal Year 2015/2016 budget.

- **Operating Expenses – Board Expenses:**

Mr. Ruiz noted that the District's Board expenses represent less than 2% of the District's total Operating Expenses, and that this demonstrates the Board's commitment to cost control measures and good financial stewardship. Discussion occurred concerning current District assets and reduction in staffing levels over the past few years.

Discussion occurred concerning the costs associated with the District's participation in Irvine Ranch Water District (IRWD) Baker Water Treatment Plant, as well as the costs to date for the Alternate Raw Water Transmission Line Project.

**RECOMMENDED ACTION:**

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

**ITEM 5B: FINANCIAL REPORT**

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Mr. Ruiz presented the bills for consideration for October 14, 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 October 14, 2015, as presented (Consent Calendar).

**ADJOURNMENT**

Mr. Haselton adjourned the October 14, 2015, Finance/Audit Committee Meeting at 7:31 A.M.