

**TRABUCO CANYON WATER DISTRICT
FINANCE AUDIT COMMITTEE MEETING RECAP
NOVEMBER 12, 2015**

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 November 12, 2015, Finance/Audit Committee Meeting to order at 7:02 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 reported the following matters:

- Mr. Ruiz reported that he has received a request from the developer of the Portola Center for confirmation from the District of no formal intent to issue additional debt to Community Facilities District (CFD) No. 2. Mr. Ruiz added that he will work with District Legal Counsel to prepare a response to this request.
- Mr. Ruiz reported that the District has made the final payment on the Series A Bond. Discussion occurred concerning the history of CFDs in the District's service area. Mr. Ruiz added that District staff plans to communicate the maturing of the CFDs via the District's website. Director Safranski commented that District staff should tell the story of the District's fiscal responsibility. Director Haselton added that it is important that the District's customers are aware of the differences between the CFDs and the Rate Analysis.

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ITEM 1: FINANCE/AUDIT COMMITTEE MEETING RECAP

The October 14, 2015, Finance/Audit Committee Meeting Recap was presented to the Committee.

RECOMMENDED ACTION:

The Committee approved and recommended that the October 14, 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. Committee members mentioned the District's participation and attendance at the Municipal Water District of Orange County (MWDOC) Elected Officials Forum held on November 5, 2015, and the upcoming Rancho Santa Margarita Chamber of Commerce "State of the City" Event on Friday, November 13, 2015.

RECOMMENDED ACTION:

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

ITEM 3: DISCUSSION AND POSSIBLE ACTION(S) CONCERNING TCWD'S ARBITRAGE REBATE CALCULATION (SERIES A & B)

Mr. Ruiz presented this matter for Committee review, and mentioned that this has been an annually recurring matter for the District's compliance with the Internal Revenue Code requirements regarding interest earned on the District's bond issues. Mr. Ruiz added that the arbitrage represents the difference between the interest paid on bonds and interest earned on the securities that the bond proceeds are invested, and that there is no rebate at this time. Discussion occurred concerning the Arbitrage Yield Comparison of the Series A and B Reserves.

RECOMMENDED ACTION:

The Committee recommended that the Board receive and file the Arbitrage Rebate Calculation (Series A & B) for the Senior Lien Series A and Junior Lien Series B, period ending September 30, 2015 (Consent Calendar).

ITEM 4: OTHER MATTERS

Mr. Ruiz had no comments on other matters.

RECOMMENDED ACTION:

There was no recommended action.

ITEM 5A: FINANCIAL REPORT

Mr. Ruiz presented the unaudited financials for September, 2015, for Committee review, and mentioned that the information presented reflects the first quarter of the Fiscal Year 2015/2016. Mr. Ruiz highlighted the following items:

Statement of Revenues and Expenses

- Operating Revenue – Residential Water:

Mr. Ruiz commented that water sales were higher than the prior month, but that the current year to date is significantly lower than the prior year to date due to conservation efforts. Mr. Ruiz added that District budgeted for a 32% reduction in residential water sales based on the State Water Board's mandated Conservation Standard for the District. Discussion occurred concerning the District's monthly report to the State Water Board.

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- **Operating Revenue – Recycled & Reclaimed Revenue:**

Mr. Ruiz mentioned that recycled and reclaimed water sales were higher than the prior month, but that the current year to date is significantly lower than the prior year to date due to conservation efforts.

- **Developer Impact Fees:**

Director Safranski asked Mr. Ruiz about the Developer Impact Fees received to date. Mr. Ruiz replied that the increase in this line item reflected the developer fees received from William Lyon Homes for the Plano Trabuco Development, capital charges for capacity buy-in, and storage, as well as wastewater capacity buy-in costs. Mr. Ruiz noted that these fees are also shown, and specifically noted the increase in the month of September on the District's Restricted Assets Report (Schedule A) in Capital Improvement Charges, Water Storage Facilities, and Sanitation Capital Improvement restricted funds.

- **Operating Expenses – Total Operating Expenses**

Mr. Ruiz mentioned that this line item was higher than the prior month, although the current year to date is lower than the prior year to date. Mr. Ruiz added that the higher sanitation expenses in September are due to planned repairs and emergency repairs related to work in Dove Canyon, including a sewer force main repair and repairs at a sewer lift station. Mr. Ruiz added that District staff expects to draw down on Reserves to cover expenses due to decreased revenues as a result of conservation efforts.

Discussion occurred concerning the public outreach methods to District customers on the purpose of the rate analysis.

RECOMMENDED ACTION:

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

ITEM 5B: FINANCIAL REPORT

Mr. Ruiz presented the bills for consideration for November 12, 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 November 12, 2015, as presented (Consent Calendar).

ADJOURNMENT

Mr. Haselton adjourned the November 12, 2015, Finance/Audit Committee Meeting at 7:38 A.M.