



TRABUCO CANYON WATER DISTRICT FINANCE/AUDIT COMMITTEE MEETING RECAP | JANUARY 11, 2017

DIRECTORS PRESENT

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

STAFF PRESENT

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

DISTRICT CONSULTANTS PRESENT

None

PUBLIC PRESENT

There were no members of the public present

CALL MEETING TO ORDER

Director Chadd called the January 11, 2017 Finance/Audit Committee Meeting to order at 6:01 P.M.

VISITOR PARTICIPATION

No visitor participation was received.

ORAL COMMUNICATION

No oral communication was received.

COMMITTEE MEMBER COMMENTS

Director Acosta commented on his attendance at the Municipal Water District of Orange County (MWDOC) Elected Officials Forum, and highlighted the recently adopted resolution in support of the California Long Term Fix. Director Acosta requested that District staff prepare a similar resolution for Board review and adoption.

Director Chadd commented on his attendance at the MWDOC Elected Officials Forum, and highlighted the presentation concerning the California Long Term Fix. Discussion occurred concerning the current statewide reservoir levels due to the impact of the recent rain events.

REPORT FROM THE GENERAL MANAGER

- Mr. Ruiz reported the District Administration Facility will be closed on Monday, January 16, 2017, in observance of Martin Luther King Jr. Holiday.
- Mr. Ruiz reported on the current status of the statewide reservoir levels, and presented a handout from the Department of Water Resources website dated January 10, 2017. Discussion occurred concerning the impacts of the recent rain events on the statewide drought.

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ITEM 1: FINANCE/AUDIT COMMITTEE MEETING RECAP

The December 14, 2016 Finance/Audit Committee Meeting Recap was presented to the Committee.

RECOMMENDED ACTION:

Director Acosta and Mr. Perea approved and recommended that the December 14, 2016, 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. Director Acosta corrected his schedule by noting that he did not attend the City of Rancho Santa Margarita City Council Meeting on December 28, 2016, but instead met with the General Manager on that day.

RECOMMENDED ACTION:

The Committee recommended that the Directors' expenses and fees for December 2016, and the tentative future meetings be forwarded to the Board for ratification as corrected (Consent Calendar).

ITEM 3: DISTRICT TREASURER ANNUAL STATEMENT OF INVESTMENT POLICY

Mr. Ruiz presented this annually recurring matter for Committee review, and mentioned that the language in the Statement of Investment Policy (Policy) was revised in 2016 to reflect recent updated financial regulatory requirements. Mr. Ruiz added that the Policy was updated with the assistance of the District Treasurer and General Legal Counsel at that time, and that there have been a few minor, non-substantive changes made for the 2017 version. Mr. Ruiz said that the primary objectives of the Policy are safety, liquidity, and return on investments.

RECOMMENDED ACTION:

The Committee recommended that the Board adopt Resolution No. 2017-1235 – Resolution of the Board of Directors of Trabuco Canyon Water District Adopting Treasurer's Annual Statement of Investment Policy (Action Calendar).

ITEM 4: OTHER FINANCE AND ADMINISTRATION PROJECTS

1. Network Infrastructure Upgrade/Replacement:

Mr. Perea provided an update on the server relocation portion of the project, and reported that District staff has received proposals for the required electrical upgrades and the installation of additional network cabling for the designated new location within the file room.

2. Utility Billing and Financial Management System Replacement update:

Mr. Perea reported that District staff is participating in routine bi-weekly conference calls and status updates related to this project with Tyler Technologies, and that this project is occurring in parallel with the Network Infrastructure Upgrade/Replacement Project. Discussion occurred concerning the District's billing process and cost savings to date by working with a new billing house.

3. Baker Water Treatment Plant Partner Agency Billing Letter Memorandum of Understanding (MOU)

Mr. Ruiz reported that he is participating in partner agency discussions with MWDOC concerning the development of MOU language for the sale of Baker Water Treatment Plant water to other water agencies.

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4. Other Projects

Mr. Ruiz had no other project to report.

Director Acosta asked about the status of the Groundwater Wells Facility; Mr. Ruiz commented that the recent rain events have increased the level of the possibility of using groundwater to supplement the District's water supply, but that typically, the seasonal wells require an approximate annual average thirteen (13) inches of rain. Discussion occurred concerning the impact of the recent rain events on Dove Lake; Mr. Ruiz commented that Dove Lake levels have risen, and that Operations staff works to manage the lake to prevent any loss of water. Mr. Ruiz said that the management of Dove Lake is more of an art than science concerning the prevention of downstream overflows and the sale of recycled water to Santa Margarita Water District (SMWD).

Director Chadd requested an update on the Alternate Raw Water Transmission Line Project; Mr. Ruiz reported that the matter will be agendized for approval of a construction contract at the Regular Board Meeting, and briefly reviewed the firms that have submitted proposals (bids) for Construction, Construction Services, Construction Management Services, and Environmental Services. Mr. Ruiz added that District staff has received proposals from several different firms, and that District staff are currently reviewing the Construction Management and Environmental Services proposals in order to make a recommendation to the Board. Mr. Ruiz said that due to the new project schedule that District staff will request a timeline extension from the Federal Emergency Management Agency (FEMA) at the end of the month.

RECOMMENDED ACTION:

The Committee received the information. No action was taken.

ITEM 5: OTHER MATTERS

Mr. Ruiz reported that although District staff budgeted for the replacement of the Administrative staff fleet vehicle (Ford Explorer), that the recent reorganization and salvaging of older service vehicles requires the need for equipping the Maintenance Department with service trucks. Mr. Ruiz added that he prefers the purchase of another utility service vehicle. Mr. Ruiz mentioned that he plans to use the budget for the replacement of the Ford Explorer and the unanticipated revenue from the disposal of surplus property to purchase the utility service vehicle.

RECOMMENDED ACTION:

The Committee recommended that the General Manager purchase the recommended utility vehicle as proposed with the funds available for a vehicle purchase in the Board approved Fiscal Year 2016/2017 General Fund Budget in conjunction with additional funds from the unanticipated revenue from the disposal of surplus equipment, if required.

ITEM 6: FINANCIAL REPORT

Mr. Ruiz presented the unaudited financials for November, 2016, for Committee review, and reported that there were no anomalies. Discussion occurred concerning the following matter(s):

Statement of Revenues and Expenses

• *Total Operating Revenue:*

Mr. Ruiz reported that this line item was higher than prior month due to the increased sale of water and the impact of the District's new water rates. Mr. Ruiz highlighted the impact of Dove Canyon Master Association and Dove Canyon Golf Course recycled water use to date.

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- *Non-Operating Revenue, Sale of Fixed Asset:*

Mr. Ruiz indicated the revenue from the disposal of the surplus property.

- *Operating Expenses, Sanitation Expense:*

Mr. Ruiz reported that this line item was higher than normal due to Vactor truck repairs and costs related to SMWD First Quarter Operating Maintenance Fees which are primarily related to the purchase of imported treated water.

- *Net Income Before OPEB & Depreciation & Capital Contributions*

Discussion occurred concerning this line item; Mr. Ruiz reported that this line item indicates the impact of the Districts' new water, wastewater, and recycled water rates.

Balance Sheet

- *Utility Plant, Construction in Progress*

Mr. Ruiz reported that the current month increased due to costs associated with the Baker Water Treatment Plant, Alternate Raw Water Transmission Line, the replacement of the Cook's Reservoir, the Salary and Total Compensation Survey (Survey), and repairs to the Robinson Ranch Wastewater Treatment Plant Aerobic Digester Aeration System. Director Chadd asked Mr. Ruiz for the final total cost of the salary survey; Mr. Ruiz commented that the total costs associated with the Survey was approximately \$21,000, and that this information was indicated in the prior month's Regular Board Meeting staff report.

RECOMMENDED ACTION:

The Committee recommended that the Board receive and file the unaudited Financial Statement for November, 2016, as presented (Consent Calendar).

ITEM 6B: FINANCIAL REPORT

Mr. Ruiz presented the bills for consideration for January 11, 2017.

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 January 11, 2017, as presented (Consent Calendar).

ADJOURNMENT

Director Chadd adjourned the January 11, 2017 Finance/Audit Committee Meeting at 6:27 P.M.