



TRABUCO CANYON WATER DISTRICT FINANCE/AUDIT COMMITTEE MEETING RECAP | MARCH 8, 2017

DIRECTORS PRESENT

Director Don Chadd, Committee Chair
Director Michael Safranski, Committee Alternate

STAFF PRESENT

Hector Ruiz, General Manager
Michael Perea, District Secretary
Karen Warner, Senior Accountant
Lisa Marie 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 March 8, 2017 Finance/Audit Committee Meeting to order at 6:03 P.M.

VISITOR PARTICIPATION

No visitor participation was received.

ORAL COMMUNICATION

No oral communication was received.

COMMITTEE MEMBER COMMENTS

No Committee Member comments were received.

REPORT FROM THE GENERAL MANAGER

Mr. Ruiz reported that the Trabuco Creek Wells Facility was operational as of March 6th, and was currently pumping approximately 500 gallons per minute. Mr. Ruiz added that the Dimension Water Treatment Plant (DWTP) was currently offline due to the well production meeting system demand.

ITEM 1: FINANCE/AUDIT COMMITTEE MEETING RECAP

The February 8, 2017 Finance/Audit Committee Meeting Recap was presented to the Committee.

RECOMMENDED ACTION:

Director Chadd and Mr. Perea approved and recommended that the February 8, 2017, 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 Safranski requested to be added to the attendee list for the Municipal Water District of Orange County (MWDOC) Water Policy Forum and Dinner on March 30,

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2017. Directors Chadd and Safranski requested Mr. Perea to register their attendance at the Association of California Water Agencies (ACWA) Conference.

RECOMMENDED ACTION:

The Committee recommended that the Directors' expenses and fees for February 2017, and the tentative future meetings be forwarded to the Board for ratification as presented (Consent Calendar).

ITEM 3: DISCUSSION AND POSSIBLE ACTION(S) CONCERNING MUNICIPAL WATER DISTRICT OF ORANGE COUNTY (MWDOC) FISCAL YEAR 2017/2018 PROPOSED RATES, CHARGES, AND BUDGET

Mr. Ruiz presented this matter for Committee review, and mentioned that no action was required. Mr. Ruiz provided handouts that were presented and reviewed at the MWDOC Administration/Finance Meeting earlier in the day which highlighted their Fiscal Year 2016/2017 and proposed Fiscal Year 2017/2018 Budgets. Mr. Ruiz reviewed the current and proposed Metropolitan Water District of Southern California (MET) treated and untreated water rates, and highlighted the adjusted MWDOC flat rate per total meter charge to the District. Mr. Ruiz mentioned that PFM (MWDOC's Consultant) submitted a report which reviewed MWDOC's Reserve Policy Funding to the Administration /Finance Committee, and commented that the Committee considered the basis for existing reserve funds and evaluated options for new reserves to fund projects. Discussion occurred concerning MWDOC member agency requests for assistance and project development. Mr. Ruiz provided background to proposed increases in the MWDOC Fiscal Year 2017/2018 Budget, which included increases in the Salaries and Wages line item due to newly hired employees for existing full time positions. Mr. Ruiz added that the matter was discussed by MWDOC's Administration/Finance Committee and was to be forwarded to their Board for further discussion.

RECOMMENDED ACTION:

The Committee received the information concerning the matter, and recommended that the matter be forwarded to the Board (Action Calendar).

ITEM 4: DISCUSSION AND POSSIBLE ACTION(S) CONCERNING TRABUCO CANYON WATER DISTRICT'S FISCAL YEAR 2017/2018 CAPITAL IMPROVEMENT PROGRAM (CIP) AND GENERAL FUND BUDGETS

Mr. Ruiz mentioned that the District Treasurer was not in attendance due to prior commitments, but that she would be in attendance at the Regular Board Meeting to answer budget related questions. Mr. Ruiz provided a handout which reviewed the current status of Fiscal Year 2016/2017 Capital Improvement Program (CIP) Projects and indicated which projects would be completed in Fiscal Year 2017/2018 for Committee review. Mr. Ruiz highlighted the following projects:

Administration

- Utility Billing System

Mr. Ruiz mentioned that District staff is currently working on this project with the vendor, and that the project will extend into Fiscal Year 2017/2018.

Water

- Saddle Crest Water Storage Reservoir

Mr. Ruiz mentioned that this project is dependent upon the developer's action on the recently Board-approved Will Serve Letter (WSL), and added that the developer has forty-five days from the issue date to execute the WSL. Mr. Ruiz added that he has not received an executed WSL, and that he will have more information concerning this project at a later date.

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- Dimension Water Treatment Plant - -Chemical Truck Delivery Access Improvement
Mr. Ruiz mentioned that there are current challenges with the entrance to the Dimension Water Treatment Plant (DWTP), but that District staff recommends completing this project in Fiscal Year 2017/2018. Mr. Ruiz added that District staff will coordinate with the City of Lake Forest to provide a wider facility entrance and the conversion of the curb outside of the facility to a no parking zone.

- Water Storage Reservoir Recoating - Phase 1
Mr. Ruiz mentioned that this project will be performed in the next fiscal year.

- Santiago Canyon Road Pipeline Improvements & Replacement
Mr. Ruiz said that District staff will coordinate with County of Orange to replace failed sections of the existing water pipelines on Santiago Canyon Road. Mr. Ruiz added that due to the time required to perform the design and process the required permits, in particular for traffic control, the project will be moved to the next fiscal year.

Wastewater

- Santiago Lift Station Control Panel
Mr. Ruiz said that completion of this project is pending the investigation of the onsite electrical system and power supply to the facility, and the follow-up panel design and construction.

- Reclaimed Water Pump Stations Replacement Phase 1 – Fiscal Year 2017/2018
Mr. Ruiz provided a brief history of the facility, and reviewed the recent issues with failed equipment and structural integrity challenges. Mr. Ruiz indicated that District staff would like to completely redesign the facility, which would require delaying the project to the next fiscal year. Discussion occurred concerning the District’s reclaimed water system demands and the significance of this facility in particular. Director Chadd commented on the importance of the facility as it is the primary reclaimed water pump station for the District. Director Safranski indicated that the facility is critical to the District’s delivery of reclaimed water to its customers, and recommended that District staff work on the Phase 1 portion of the project. Discussion occurred concerning the general upgrade plans for the facility; Mr. Ruiz recommended a complete overhaul and redesign of the facility and equipment to meet system demands.

RECOMMENDED ACTION:

The Committee received the information concerning the matter, and recommended that the matter be forwarded to the Board (Action Calendar).

ITEM 5: 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 Synoptek (District’s IT Manager) is currently working with Tyler Technologies for the deployment of the District’s new utility billing and financial systems on the District’s newly installed service environment.

2. Utility Billing and Financial Management System Replacement update:
Mr. Perea reported that District staff is currently participating in routine bi-weekly conference calls for training purposes 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 and is anticipated to be completed in October. Mr. Perea also mentioned that both Ms. Warner and Ms. Sangi are currently receiving training on the financial portion of the new system.

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3. Baker Water Treatment Plant Partner Agency Billing

Mr. Ruiz reported that he has met with City of San Clemente staff to work on language for a Memorandum of Understanding (MOU) for the sale of excess Baker Water Treatment Plant water to the City. Mr. Ruiz added that the City of San Clemente is currently reviewing their rate setting process in accordance with Proposition 218, and the possible impacts to their rate structure by purchasing water from another retail agency.

4. Other Projects

There were no other projects discussed.

RECOMMENDED ACTION:

The Committee received the information. No action was taken.

ITEM 6: OTHER MATTERS

Mr. Ruiz reported that the Association of California Water Agencies Joint Powers Insurance Authority (ACWA JPIA), the District's insurer, is now offering Cyber Liability coverage to member agencies at no extra cost, and that there are two tiers of coverage based upon member agency total liabilities.

RECOMMENDED ACTION:

The Committee received the information. No action was taken.

ITEM 7: FINANCIAL REPORT

Mr. Ruiz presented the unaudited financials for January, 2017, 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 lower than the previous month due to the impact of the recent rain events, and, that normally this line item would be higher. Mr. Ruiz added that the month of February will likely demonstrate an increase due to fewer rain events and warmer weather which resulted in increased water demand. Discussion occurred concerning the difference between lower total operating revenue versus the higher source of supply costs to date; Mr. Ruiz indicated that the higher source of supply costs to date are due to the new MWDOC monthly billing process beginning January 2017, for all imported MET water purchases, whereas the District was previously billed quarterly by Santa Margarita Water District.

Balance Sheet

• *Current Assets, Cash Utility Plant, Construction in Progress*

Mr. Ruiz reported that the \$1M difference from January 2017 to December 2016 is due to the District Treasurer's recommendation to transfer to the Local Agency Investment Fund (LAIF) as the District's account is receiving a higher percentage return on its investment. Mr. Ruiz added that the transfer to LAIF is indicated on the Restricted Assets Report.

RECOMMENDED ACTION:

The Committee recommended that the Board receive and file the unaudited Financial Statement for January, 2017, as presented (Consent Calendar).

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ITEM 6B: FINANCIAL REPORT

Mr. Ruiz presented the bills for consideration for March 8, 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 March 8, 2017, as presented (Consent Calendar).

ADJOURNMENT

Director Chadd adjourned the March 8, 2017 Finance/Audit Committee Meeting at 6:58 P.M.