



**TRABUCO CANYON WATER DISTRICT  
FINANCE/AUDIT COMMITTEE MEETING RECAP | DECEMBER 14, 2016**

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**DIRECTORS PRESENT**

Director Michael Safranski, 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 Safranski called the December 14, 2016, Finance/Audit Committee Meeting to order at 6:00 P.M.

**VISITOR PARTICIPATION**

No visitor participation was received.

**ORAL COMMUNICATION**

No oral communication was received.

**COMMITTEE MEMBER COMMENTS**

Director Safranski had no comments.

Director Acosta had no comments.

**REPORT FROM THE GENERAL MANAGER**

Mr. Ruiz had no matters to report that were not covered in the agenda.

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

The November 9, 2016, Finance/Audit Committee Meeting Recap was presented to the Committee.

**RECOMMENDED ACTION:**

Director Safranski and Mr. Perea approved and recommended that the November 9, 2016, Finance/Audit Committee Meeting Recap be received and filed by the Board (Consent Calendar).

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**ITEM 2: RATIFICATION OF DIRECTORS' FEES AND EXPENSES, TENTATIVE FUTURE MEETINGS/ATTENDANCE ITEMS**

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The Committee reviewed the information presented, and made no changes.

**RECOMMENDED ACTION:**

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

**ITEM 3: FINANCIAL REPORTS (AUDITS) FOR THE TRABUCO CANYON PUBLIC FINANCING AUTHORITY (TCPFA) AND TRABUCO CANYON IMPROVEMENT CORPORATION (TCIC) FOR YEAR ENDED JUNE 30, 2016**

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Mr. Ruiz presented this matter for Committee review, and reported that the The Pun Group, the District's Auditors, have completed the Draft Financial Reports (Audits) for the TCPFA and TCIC for the Year Ended June 30, 2016. Mr. Ruiz briefly reviewed each Audit with the Committee, and highlighted the Notes to the Financial Statements and changes in long-term debt. Mr. Ruiz highlighted that there is no discussion of Mello-Roos taxes in the TCIC Audit as they have recently matured, and mentioned that Series C Bond will be paid off in Fiscal Year 2019/2020. Mr. Ruiz reported that there were no anomalies with either Audits, and recommended that the Audits be forwarded to the Annual Meetings of the Board of Directors of the respective bodies. Mr. Ruiz added that District staff will update the District's website pages for the TCPFA and TCIC, and provide copies of each Audit to the County of Orange, per their request.

**RECOMMENDED ACTION:**

The Committee recommended that the Fiscal Year 2015/2016 Financial Reports (Audits) for the Trabuco Canyon Public Financing Authority (TCPFA) and Trabuco Canyon Improvement Corporation (TCIC) be forwarded to the Regular Annual Meeting of the Board of Directors of the TCPFA and TCIC (Action Calendar).

**ITEM 4: TRABUCO CANYON WATER DISTRICT ORGANIZATION AND TOTAL COMPENSATION AND SALARY SURVEY**

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Mr. Ruiz presented this matter for Committee review, and provided a brief review of the background and purpose of the Organizational review and Total Compensation and Salary Survey (Survey) performed by Koff and Associates (Koff). Mr. Ruiz reported that the Survey was originally presented to the Executive Committee in July, and that the ten comparator agencies were selected at that time. Mr. Ruiz mentioned that this was the first presentation of the Survey to the Finance/Audit Committee, and that the project was well behind schedule due to challenges that Koff experienced with obtaining information from some of the comparator agencies. Mr. Ruiz added that the Executive Committee met at the end of November to review preliminary information relating to the proposed organizational structure redesigns and the recommended median plus ten percent strategy for employee salary compensation.

Mr. Ruiz reviewed a PowerPoint presentation which reviewed the Survey and highlighted the following items:

***Organization and Staffing Review***

Mr. Ruiz reviewed the District's current Organizational Structure and mentioned that career advancement for employees is difficult at the District due to the existing structure. Mr. Ruiz briefly reviewed the Average Full Time Employees (FTE) by Fiscal Year with the Committee, and highlighted the natural reduction of FTEs due to retirees and attrition. Mr. Ruiz reviewed the Total Salaries per Year beginning in Fiscal Year 2006/2007 to present, and discussed the major Fiscal Year 2016/2017 Budgetary Assumptions.

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***2012 Organizational Assessment***

Mr. Ruiz provided a handout of the 2012 Organizational Assessment performed by Ohlund and Associates, and reviewed the major administrative changes to the District since 2012, which included increased labor compliance regulations with the Department of Industrial Relations, increased coordination with contractor and vendor insurance brokers on Workers' Compensation Insurance requirements, increased scrutiny of contractor and vendor insurance submittals and requirements, and increase solicitation of bid proposals for non-emergency work and products. Mr. Ruiz said that Ms. Sangi, Administrative Assistant, has successfully assumed these responsibilities, in addition to her original assigned duties which include the support of Customer Service.

***Fair Labor Standards Act (FLSA) Update***

Mr. Ruiz briefly reviewed the FLSA portion of the Survey, and reported that Koff completed a review of the District's key positions to determine compliance with the FLSA. Mr. Ruiz added that based on Koff's review and the analysis of five employee positions that the District's organizational structure is in compliance with the FLSA. Discussion occurred concerning the challenges associated with the recommendations of the 2012 Organizational Assessment and the recommendations in the Survey from Koff. Mr. Ruiz added that preliminary Survey information has been reviewed with the Executive Committee and with District staff, and mentioned that some staff have expressed concerns with the classification review and proposed changes. Director Safranski expressed the need for balance between meeting employee concerns and being mindful of the limitations of the District due to its smaller size in comparison to other Districts. Director Acosta discussed the typical distinction between Supervisors versus Superintendents, and reviewed the typical operational hierarchy based on his experience in the public sector.

Discussion occurred concerning feedback from District employees related to the review of the preliminary Survey information, and the expressed concerns for salary growth based on the classification research and subsequent pay table placement. Mr. Ruiz said that Koff typically recommends proposed salaries based on benchmarked industry median salaries, but that after reviewing the preliminary Survey information, that he suggested a median plus ten percent strategy to attract new hires and to encourage the retention of good employees. Discussion occurred concerning the challenges associated with similar Surveys; Director Safranski said that Compensation Surveys serve as a guideline or a tool for management for the implementation of organizational changes, career advancement, and subsequent salary increases. Mr. Ruiz commented that based on initial response from certain employees concerning position classification related to levels of work that he is working with Koff to re-evaluate specific recommendations.

***Organizational Needs and Goals***

Mr. Ruiz presented a handout which analyzed the organization of the District's individual Departments, and reviewed the proposed organizational and position changes based on feedback from Department Heads. Mr. Ruiz mentioned that the Administration Department is currently organized well, albeit larger by one-half position than recommended in the 2012 Organizational Assessment, but added that the redundancy allows for the District to quickly respond to customer requests, as well as comply with new labor compliance regulations and requirements. Mr. Ruiz added that there are no proposed changes to the Administrative Department.

Mr. Ruiz reviewed the Water and Wastewater Operation Departments based on the mandatory needs which stem from regulatory compliance and employee certification requirements, and discussed the proposed Department goals by position. Discussion occurred concerning certification and experience requirements based on system ratings, and the proposed updated position requirements in order to meet the proposed Department goals. Mr. Ruiz reviewed the Maintenance Department minimum needs and proposed Department goals, but mentioned that there is a regulatory requirement for the District to have a maintenance program, but there is

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not a regulatory requirement for the District to have a Maintenance Department. Mr. Ruiz added that he proposes to keep the current Maintenance Department structure as it meets the needs of the District. Mr. Ruiz highlighted that the Maintenance Superintendent position is currently vacant, and that a current employee has transitioned from the Wastewater Operations Department to the Maintenance Department to backfill vacancies left by a retired employee, but because he is not mandated to place the employee in the Superintendent position at this time he is awaiting to fill this position and others once the new organization and salary plan is approved by the Board of Directors. Mr. Ruiz added that the District has hired additional employees to build up the Maintenance Department to meet the District's needs, and that he proposes a new position of Lead System Controls Technician to fulfill the District's goals. Mr. Ruiz discussed that the Water and Wastewater Operations Departments had similar goals, and additionally, the Water Operations Department had a vacant Chief Plant Operator position that was temporarily filled by the Water Superintendent.

***Salary and Total Compensation Survey Review***

Mr. Ruiz reviewed the preliminary draft results of the Survey with the Committee, and reported that Koff worked with the District to determine the market placement of identified classifications that corresponded to a median level based on the information provided by the ten comparator agencies. Mr. Ruiz added that the initial results did not demonstrate the District's goals of attracting quality new applicants and retaining qualified experienced employees; therefore at the recommendation of the Executive Committee, he worked with Koff to develop a median plus ten percent salary range strategy to develop the proposed Salary Pay Table (handout). Mr. Ruiz added that the proposed ten-step Salary Pay Table was more consistent with industry standards, and allowed for District management to plan for budgetary impacts due to employee promotions and salary increases. Discussion occurred concerning the planned process for adjusting the proposed Salary Pay Table due to cost of living adjustments, and the proposed range placement recommendations by Koff using the median plus ten percent salary range strategy. Mr. Ruiz said that a representative from Koff will attend the December 21, 2016 Regular Board Meeting to review the final Survey findings with the Board and to answer their questions concerning the process. Discussion occurred concerning the financial impact of the salary increases to the District, and the importance of consistent District policy for salaries and total compensation. Mr. Ruiz added that although some employees may not agree with some of the information in the report that it provides necessary guidance to District management for employee classification and compensation.

***Proposed Personnel and Salary Policy Changes***

Mr. Ruiz reviewed proposed changes to the District Personnel and Salary Policy concerning existing time off provisions, and recommended renaming the current longevity days and birthday holidays as floating holidays. Mr. Ruiz added that the change is in name only, and recommends that this be effective January 1, 2017.

**RECOMMENDED ACTION:**

The Committee received the information concerning Trabuco Canyon Water District's Organization and Total Compensation and Salary Survey, and recommended forwarding to the Board (Action Calendar).

**ITEM 5: OTHER FINANCE AND ADMINISTRATION PROJECTS**

Mr. Ruiz presented this new agenda item for Committee consideration, and reviewed the following projects:

1. Network Infrastructure Upgrade/Replacement Project  
Mr. Perea provided a project status update and reported that Synoptek (the District's Information Technology Consultant) has completed preliminary server environment development and installed some of the new hardware. Mr. Perea added that Synoptek is currently building the new server environment, and the project will be online in the First Quarter of 2017.

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2. Utility Billing and Financial Management System Replacement Project  
Mr. Perea reported that District staff has provided the required documentation and data files for testing purposes prior to migration of data, and mentioned that the project is expected to be completed in the Third Quarter of 2017.
3. Baker Water Treatment Plant Partner Agency Billing Letter Memorandum of Understanding - DRAFT  
Mr. Ruiz reported that he was working with Municipal Water District of Orange County (MWDOC) on the development of language to capture the District's sale of excess water in the Billing Letter Memorandum of Understanding. Mr. Ruiz mentioned that the matter may be discussed at the Santiago Aqueduct Commission Meeting the following day, and that he would be attending the meeting with Director Chadd.
4. Other Projects  
Mr. Ruiz had no other projects to report.

**RECOMMENDED ACTION:**

The Committee received the information presented.

**ITEM 6: OTHER MATTERS**

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Mr. Ruiz had no other matters to discuss.

**RECOMMENDED ACTION:**

No action was taken.

**ITEM 7: FINANCIAL REPORT**

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Mr. Ruiz presented the unaudited financials for October, 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 originally budgeted due to the impacts of the new water, wastewater, and recycled water rates and charges.

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

Mr. Ruiz reported that this line item demonstrates the impact of the new water, wastewater, and recycled water rates and charges.

Discussion occurred concerning Proposition 218 compliance requirements for the implementation of the 2017 water, wastewater, and recycled water rates and charges; Mr. Ruiz commented that District staff prepared the Notice of Adjustments to the Schedule of Rates, Fees and Charges, which was reviewed by District Legal Counsel, and included the Notice as an insert with all customer utility bills in the month of November 2016.

**RECOMMENDED ACTION:**

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

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**ITEM 7B: FINANCIAL REPORT**

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Mr. Ruiz presented the bills for consideration for December 14, 2016.

**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 December 14, 2016, as presented (Consent Calendar).

**ADJOURNMENT**

Director Safranski adjourned the December 14, 2016, Finance/Audit Committee Meeting at 7:47 P.M.