



## **TRABUCO CANYON WATER DISTRICT FINANCE/AUDIT COMMITTEE MEETING RECAP | AUGUST 9, 2017**

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### **DIRECTORS PRESENT**

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

### **STAFF PRESENT**

Hector Ruiz, General Manager  
Michael Perea, District Secretary  
Karen Warner, Senior Accountant

### **DISTRICT CONSULTANTS PRESENT**

None

### **PUBLIC PRESENT**

There were no members of the public present

### **CALL MEETING TO ORDER**

Committee Chair Chadd called the August 9, 2017 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**

No Committee Member comments were received.

### **REPORT FROM THE GENERAL MANAGER**

- Mr. Ruiz reported that Ms. Lausten was currently working with the Alternate Raw Water Transmission Line (ARWTL) Project Contractor to complete the final pipeline connection the following week. Mr. Ruiz added that the County trail adjacent to the project site will be partially impacted by the removal of the existing pipeline after the project is completed. Director Chadd expressed his appreciation for the tour of the project site provided by Water Department Superintendent Gary Kessler.
- Mr. Ruiz reported that he received a letter from Moulton Niguel Water District (MNWD), which was provided to the South Orange County Wastewater Authority (SOCWA) member agencies, which indicated MNWD's intent to pay their outstanding operation and maintenance balance under protest of existing concerns related to SOCWA's accounting and budgeting practices. Discussion occurred concerning the overall financial impact of SOCWA's review of member agency annual administrative and facility operational and maintenance costs.

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

The July 12, 2017 Finance/Audit Committee Meeting Recap was presented to the Committee.

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**RECOMMENDED ACTION:**

The Committee approved and recommended that the July 12, 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**

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The Committee reviewed the information presented.

**RECOMMENDED ACTION:**

The Committee recommended that the Directors' expenses and fees for July 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 TRABUCO CANYON WATER DISTRICT HEALTH BENEFITS**

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Mr. Ruiz presented this matter for Committee review, and highlighted the approved health plan rate changes as approved by CalPERS. Mr. Ruiz indicated that the Board established health plan benchmark is scheduled to decrease by approximately 2%, and mentioned that District staff has prepared a health benefit three-year trend analysis (exhibit) for Committee review. Mr. Ruiz added that the Board may choose to adopt the new lower rate for Calendar Year 2018 by resolution, or they may choose to leave the Calendar Year 2017 health plan benchmark rate amount intact at a higher amount. Discussion occurred concerning the fiscal impacts of the health plan rates on the Fiscal Year 2017/2018 budget. Mr. Perea reviewed the overall impact of the health plan changes as indicated in the staff report, and highlighted the projected costs in comparison to the Fiscal Year 2017/2018 budgeted costs. Mr. Perea provided a handout which highlighted the detailed projected health costs by District employee based on the assumption that most employees typically do not change their health plans, and mentioned that in the event that Board opts to not change the benchmark, the overall fiscal impact to the Fiscal Year 2017/2018 budget is nominal and will not exceed the adopted budget. Director Chadd expressed his support for a consistent benchmarked health plan, and mentioned that the District should be a desirable place of employment, including quality health benefits, salaries comparable or better than neighboring water agencies, and high quality working conditions. President Acosta agreed with Director Chadd, and mentioned that it is the goal of the District to attract, retain, and promote quality employees.

**RECOMMENDED ACTION:**

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

**ITEM 4: OTHER FINANCE AND ADMINISTRATION PROJECTS**

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1. Utility Billing and Financial Management System Replacement update:

Mr. Perea provided a status update on this project, and reported that Customer Service staff is scheduled for onsite training with Tyler Technologies. Mr. Perea expressed his appreciation for Ms. Warner's dedicated work reviewing the utility billing account development portion of the project. Mr. Ruiz advised the Committee that the project transition may impact a future Finance/Audit Committee Meeting.

2. Baker Water Treatment Plant Partner Agency Billing

Mr. Ruiz provided a status update on this matter, and provided a scenario planning analysis handout which reviewed the District's Baker Water Treatment Plant (BWTP) capital investment costs and proposed capital cost recovery scenarios. Mr. Ruiz reviewed the three proposed agreement terms for the sale of unused/excess BWTP water to the City of San Clemente, and mentioned that each of the scenarios result in the recovery of the

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District's capital investment in the BWTP. Discussion occurred concerning the proposed scenarios. Director Chadd asked Mr. Ruiz which of the scenarios is his recommended proposed agreement term for the sale of unused/excess BWTP water; Mr. Ruiz commented that a term of thirty years broken down as twenty years with a ten year option is the preferred scenario based on his discussions with the City of San Clemente. Director Chadd recommended that the agreement include language that allows Trabuco Canyon Water District (TCWD) to have first right of refusal of BWTP water. President Acosta expressed concern related to the possibility of increased BWTP operational and maintenance costs and how the increased costs could affect the proposed scenario. Director Chadd concurred with President Acosta and suggested that the District could pass through the increased costs to the City of San Clemente. Mr. Ruiz expressed concern with passing through the operational and maintenance costs, and commented that the agreement could include language for escalating incurred costs over the agreement term. Director Chadd commented that the overall goal for the agreement is to stay whole on the District's investment. President Acosta requested that Mr. Ruiz update the handout to include additional information related to the District's capital investment cost recovery over the term of the sale agreement.

**3. Other Projects**

Mr. Ruiz commented that there were no other projects.

**RECOMMENDED ACTION:**

The Committee received the information. No action was taken.

**ITEM 5: OTHER MATTERS**

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Mr. Ruiz had no other matters to report.

**RECOMMENDED ACTION:**

The Committee received the information. No action was taken.

**ITEM 6: FINANCIAL REPORT**

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Mr. Ruiz reported that District staff was currently closing the fiscal year financials at this time, and would present the unaudited financials for June 2017 after the audit is completed the following month. Discussion occurred concerning the following matter(s):

***Checking Account Activity***

Mr. Ruiz briefly reviewed the District's Checking Account Activity for Committee review.

**RECOMMENDED ACTION:**

The Committee recommended that the Board receive and file the unaudited Checking Account Activity Statement for June, 2017, as presented (Consent Calendar).

**ITEM 6B: FINANCIAL REPORT**

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Mr. Ruiz presented the bills for consideration for August 9, 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 August 9, 2017, as presented (Consent Calendar).

**ADJOURNMENT**

Committee Chair Chadd adjourned the August 9, 2017, Finance/Audit Committee Meeting at 6:36 P.M.