



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

DIRECTORS PRESENT

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

STAFF PRESENT

Hector Ruiz, General Manager
Michael Perea, District Secretary
Karen Warner, Senior Accountant
Lisa Marie Sangi, Administrative Assistant

DISTRICT CONSULTANTS PRESENT

Cindy Byerrum, District Treasurer

PUBLIC PRESENT

There were no members of the public present

CALL MEETING TO ORDER

Committee Chair Chadd called the November 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 on the following matters:

1. Mr. Ruiz reported that he is currently participating in an Independent Special Districts of Orange County (ISDOC) and Local Agency Formation Commission of Orange County (LAFCO) Dues Joint Sub-Committee, and will report additional information to the Committee as it is made available.
2. Mr. Ruiz reported that both he and Mr. Perea will be attending the Association of California Water Agencies (ACWA) 2017 Fall Conference, and mentioned that the ACWA Board has scheduled an Election of Officers and the amendment of the Bylaws. Mr. Ruiz added that District staff will agendize this matter for the designation of a voting delegate by proxy vote at the November 15, 2017, Regular Board Meeting.

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ITEM 1: FINANCE/AUDIT COMMITTEE MEETING RECAP

The October 11, 2017 Finance/Audit Committee Meeting Recap was presented to the Committee.

RECOMMENDED ACTION:

Director Chadd and Mr. Perea approved and recommended that the October 11, 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. Discussion occurred concerning the ACWA 2017 Fall Conference.

RECOMMENDED ACTION:

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

ITEM 3: BAKER WATER TREATMENT PLANT PARTNER AGENCY BILLING

Mr. Ruiz presented this matter for Committee review, and mentioned that there was no action required on the matter. Mr. Ruiz commented that he was currently working with General Legal Counsel on the final version of the agreement for the sale of unused Baker Water Treatment Plant (BWTP) water to the City of San Clemente. Mr. Ruiz delivered a Power Point presentation on the Baker Water Sales and Billing Methodology and Process, and provided handouts for Committee review. Mr. Ruiz reviewed the goals of the billing process which included the utilization of current reports and billing processes in order to create an easy and understandable method. Mr. Ruiz commented on the challenges associated with the development of the billing methodology, and reviewed the Metropolitan Water District of Southern California (MET) and BWTP water rate components which contribute to the Baker Water Rate. Mr. Ruiz reviewed the methodology for the development of the Operational and Maintenance (O&M) charges associated with the sale of Baker Water, and mentioned that the District proposes to pass-through the Irvine Ranch Water District (IRWD) Operations and Maintenance (O&M) charges on an acre-foot basis using the existing Municipal Water District of Orange County (MWDOC) billing process for the water delivered to the City of San Clemente. Discussion occurred concerning the impact of water losses on the overall billing process, and the timeline for approval of the agreement by the City of San Clemente City Council; Mr. Ruiz said that the City of San Clemente is currently undergoing a Proposition 218 process for their water rates, and that the matter of the agreement is scheduled to be reviewed by the City Council in December. Mr. Ruiz added that the Final Draft Agreement will be presented at the November 15, 2017, Regular Board Meeting for Board review. Discussion occurred concerning the overall impact of capital recovery costs through the sale of Baker water sales.

RECOMMENDED ACTION:

The Committee received the information. No action was taken.

ITEM 4: TRABUCO CANYON WATER DISTRICT ANNUAL FINANCIAL REPORT (AUDIT) FOR FISCAL YEAR 2016/2017

Mr. Ruiz presented this matter for Committee review, and mentioned that Ms. Byerrum was in attendance to answer questions from the Committee related to the Fiscal Year 2016/2017 District Annual Financial Report (Audit). Ms. Byerrum briefly discussed the future impacts related due to the implementation of Governmental Accounting Standards Board (GASB) 68 and 75 which involve Other Post Employment Benefits (OPEB) liabilities. Ms. Byerrum expressed her appreciation for Ms. Warner's assistance during the preparation of the Audit, and

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mentioned that she was readily available for the Auditor's requests. Ms. Byerrum reviewed the Balance Sheets portion of the Audit, and highlighted the adjustment for Net Pension Liability from the prior year which reflects changes in CalPERS investment strategy percentage levels. Ms. Byerrum reviewed the Statement of Revenues, Expenses, and Changes in Net Position portion of the Audit, and briefly reviewed the Total Operating Revenues increase from the prior year and the decrease in Net Loss Before Capital Contributions which is attributed to the impact of the District's water, wastewater, and recycled rates and charges adopted by the Board of Directors in 2015. Discussion occurred concerning the anticipated impacts of GASB 75 on OPEB liabilities and future audits. Ms. Byerrum added that a representative from The Pun Group (the District's Auditors) is scheduled to attend the November 15, 2017, Regular Board Meeting to formally present the Audit to the Board and answer any related questions.

RECOMMENDED ACTION:

The Committee received the information, and recommended forwarding the Trabuco Canyon Water District Annual Financial Report for Fiscal Year 2016/2017 to the Board of Directors (Action Calendar).

ITEM 5: OTHER FINANCE AND ADMINISTRATON MATTERS

1. Utility Billing and Financial Management System Replacement Update:

Mr. Perea provided a status update on this project, and commented that District staff recently held a conference call with Tyler Technologies senior representatives to discuss the challenges associated with the project. Mr. Perea added that he had formally requested an entirely new conversion team and system developers/programmers due to their failure to address the District's concerns and confidently meet the District's goals of building a stable and reliable Financial and Utility Billing Systems. Mr. Perea mentioned that he anticipates that the new Utility Billing System to come online in February 2018. Mr. Perea reported to the Committee that Tyler Technologies verbally recognized the District's concerns with the quality of the systems, and immediately worked with District staff to form a new conversion team, system developers/programmers, as well as, new project managers. Mr. Perea expressed his appreciation for Ms. Warner and Ms. Byerrum's participation and support during this project, and commented that Ms. Warner dedicated many work hours to complete the review of the Financial and Utility Billing System data.

2. Other Projects

There was no information received.

RECOMMENDED ACTION:

The Committee received the information. No action was taken.

ITEM 6: OTHER MATTERS

Mr. Ruiz reported that District staff has prepared a Notice of Adjustment of Rates and Charges (Notice) as set forth in the District's 2015 Water, Wastewater, and Recycled Water Rates and Charges that will be included in customer utility bills mailed in the month of November 2017. Mr. Ruiz added that this Notice was mailed to customers as a courtesy, and was not a requirement under Proposition 218, as that requirement was satisfied at the time of adoption of the rates and charges.

RECOMMENDED ACTION:

The Committee received the information. No action was taken.

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ITEM 7: FINANCIAL REPORT

Ms. Byerrum presented the preliminary unaudited financials for September, 2017, for Committee review, and reported that there were no anomalies. Ms. Byerrum reviewed the following items:

Statement of Revenues and Expenses

Total Revenues – Ms. Byerrum commented that the current month was lower than the prior month, but that the year to date was higher than budgeted.

Total Operating Expenses – Ms. Byerrum commented that the current month was higher than last month due to the completion of planned Capital Improvement Projects and other system repairs.

Investment Schedule

Ms. Byerrum highlighted the investment rate increase for the District’s investments with the Local Agency Investment Fund (LAIF).

Discussion occurred concerning the current month costs associated with Net Income Before OPEB & Depreciation & Capital Contributions.

RECOMMENDED ACTION:

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

ITEM 7B: FINANCIAL REPORT

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

ADJOURNMENT

Committee Chair Chadd adjourned the November 8, 2017, Finance/Audit Committee Meeting at 6:37 P.M.