

**TRABUCO CANYON WATER DISTRICT
FINANCE AUDIT COMMITTEE MEETING RECAP
FEBRUARY 11, 2015**

DIRECTORS PRESENT

Committee Chair James Haselton
Committee Member Michael Safranski

STAFF PRESENT

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

DISTRICT CONSULTANTS

Cindy Byerrum, District Treasurer
Josh Byerrum, Assistant District Treasurer

PUBLIC PRESENT

There were no members of the public present

CALL MEETING TO ORDER

Mr. Haselton called the February 11, 2015, Finance/Audit Committee Meeting to order at 7:02 A.M.

VISITOR PARTICIPATION

No visitor participation was received.

ORAL COMMUNICATION

No oral communication was received.

COMMITTEE MEMBER COMMENTS

Mr. Haselton had no comments.

Mr. Safranski had no comments.

REPORT FROM THE GENERAL MANAGER

Mr. Ruiz introduced Ms. Lisa Carmouche, Administrative Assistant, to the Committee.

ITEM 1: FINANCE/AUDIT COMMITTEE MEETING RECAP

The January 14, 2014, Finance/Audit Committee Meeting Recap was presented to the Committee.

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RECOMMENDED ACTION:

The Committee approved and recommended that the January 14, 2014, 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, and had no comments. Discussion occurred concerning the 2015 scheduled Finance/Audit Committee Meetings held on the second Wednesday of each month and Check Signing Meetings held on the fourth Wednesday of each month.

RECOMMENDED ACTION:

The Committee recommended that the Directors' expenses and fees for January, 2014, and the tentative future meetings be forwarded to the Board for ratification (Consent Calendar).

ITEM 3: DISTRICT TREASURER ANNUAL STATEMENT OF INVESTMENT POLICY

Mr. Ruiz presented this matter for Committee review, mentioned that this was an annually reviewed matter, and commented that Ms. Byerrum was in attendance to answer any questions from the Committee. Ms. Byerrum mentioned that there have not been any legislative changes which would require any updates to the District's Investment Policy, and reviewed the DRAFT Resolution with the Committee. Ms. Byerrum added that District staff has met with investment advisors to review the District's current investments and discuss possible future investment strategies. Discussion occurred concerning investment options and the objectives of the policy, which are safety, liquidity, and return on investments. Mr. Ruiz added that District staff is planning to return to the Committee with detailed information and historical background on the District's currently authorized investments and restricted funds.

RECOMMENDED ACTION:

The Committee recommended that the Board adopt Resolution No. 2015-1208, Resolution of the Board of Directors of Trabuco Canyon Water District Adopting Treasurer's Annual Statement of Investment Policy (Action Calendar).

ITEM 4: DISCUSSION CONCERNING TCWD'S FISCAL YEAR 2014/2015 MID-YEAR BUDGET REVIEW

Mr. Ruiz presented this matter for Committee review and mentioned that Ms. Byerrum was in attendance to answer any questions from the Committee concerning this matter. Ms. Byerrum reviewed the following:

REVENUES

Total Operating Revenue

Ms. Byerrum mentioned that this line item was above budget by approximately 2% due to an increase in Recycled and Reclaimed Water Revenue.

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Total Non-Operating Revenue

Ms. Byerrum mentioned that this line item was below budget due to incorrectly budgeting for Redevelopment Agencies (RDA) payment of \$400,000, when the actual payment received was \$150,000. Discussion occurred concerning the dissolution of RDAs and typical payments to agencies.

Total Revenues

Ms. Byerrum mentioned that overall total revenues are close to projection.

EXPENSES

Operating Expenses, Urban Runoff & Recovery

Ms. Byerrum mentioned that this line item was higher than budgeted due to more maintenance and repair of pumps than originally planned. Discussion occurred concerning Shadow Rock Detention Basin Facility.

Net Income Before OPEB & Depreciation & Capital Contributions

Ms. Byerrum mentioned that this line item is projected to be approximately 2% lower than originally budgeted.

WRES

Ms. Byerrum mentioned that this line item was above budget and is closer to Fiscal Year 2013/2014 budget value. It was noted that the District had not received as many WRES reduction applications from District customers as originally anticipated and budgeted.

Other Post Employment Benefits

Ms. Byerrum mentioned that this line item is projected to be lower than originally budgeted due to the District's OPEB funding, which decreases the District's liabilities concerning employee benefits. Discussion occurred concerning the District's funding of the Trust through CalPERS and the valuation schedule.

Net Income

Ms. Byerrum mentioned that this line item is projected to be lower than originally budgeted by approximately 7%.

Discussion occurred concerning depreciation methodology and accounting standards applied to the Mid-Year Budget and impacts of the drought and possible water allocation by Metropolitan Water District of Southern California. Mr. Ruiz mentioned that District staff budgeted for an approximate 5% reduction in revenue as a result of drought impact and/or water allocations. Discussion occurred concerning a published Orange County Register article which highlighted water conservation efforts.

RECOMMENDED ACTION:

The Committee recommended that the Board receive the District Fiscal Year 2014/2015 Unaudited Mid-Year Budget Review (Action Calendar).

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ITEM 5: OTHER MATTERS

Mr. Ruiz commented that there were no other matters for discussion.

RECOMMENDED ACTION:

There was no recommended action.

ITEM 4A: FINANCIAL REPORT

Ms. Byerrum presented the unaudited financials for December, 2014, for Committee review, and highlighted the following items:

Statement of Revenues and Expenses

- Operating Revenue - Residential Water, Business & Industrial Water, and Irrigation Water:
Ms. Byerrum mentioned that these line items were lower than the prior month due to less water sales and conservation efforts by District customers.
- Total Operating Expenses:
Ms. Byerrum mentioned that this line item was lower than the prior month. Discussion occurred concerning Municipal Water District of Orange County fixed charges versus variable charges and a cost analysis of the District's flat fees and sewer rates. Director Safranski asked District staff to return to the Committee with more information concerning the District's water and sewer rates in comparison with other District's in South Orange County.

RECOMMENDED ACTION:

The Committee recommended that the Board receive and file the November, 2014, unaudited Financial Statement, as presented (Consent Calendar).

ITEM 4B: FINANCIAL REPORT

Mr. Ruiz presented the bills for consideration for February 11, 2015.

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 February 11, 2015, as presented (Consent Calendar).

ADJOURNMENT

Mr. Haselton adjourned the February 11, 2015, Finance/Audit Committee Meeting at 7:40 A.M.