TRABUCO CANYON WATER DISTRICT
FINANCE AUDIT COMMITTEE MEETING RECAP
MARCH 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

PUBLIC PRESENT
There were no members of the public present

CALL MEETING TO ORDER
Mr. Haselton called the March 11, 2015, Finance/Audit Committee Meeting to order at 7:03 A.M.

VISITOR PARTICIPATION
No visitor participation was received.

ORAL COMMUNICATION
No oral communication was received.

COMMITTEE MEMBER COMMENTS
Mr. Safranski commented on his recent visit to New Zealand and discussed their local water treatment methods and the importance of water conservation. Discussion occurred concerning Municipal Water District of Orange County (MWDOC) and the upcoming Fiscal Year 2015/2016 Budget.

Mr. Haselton had no comments.

REPORT FROM THE GENERAL MANAGER
Mr. Ruiz mentioned the District staff will present preliminary information concerning MWDOC's Fiscal Year 2015/2016 Budget at the March 18, 2015, Regular Board Meeting for Board review.

ITEM 1: FINANCE/AUDIT COMMITTEE MEETING RECAP

The February 11, 2015, Finance/Audit Committee Meeting Recap was presented to the Committee.

RECOMMENDED ACTION:

The Committee approved and recommended that the February 11, 2015, 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.

RECOMMENDED ACTION:

The Committee recommended that the Directors' expenses and fees for February, 2015, and the tentative future meetings be forwarded to the Board for ratification (Consent Calendar).

ITEM 3: DISCUSSION CONCERNING TCWD'S CALPERS ANNUAL VALUATION REPORT

Mr. Ruiz presented this matter for Committee review, mentioned that this was an annually reviewed matter which is received and filed by the Board. Mr. Ruiz added that this Annual Valuation Report (Report) reflects the recent legislative and Governmental Accounting Standards Board (GASB) requirement changes. Mr. Ruiz presented the Report for Committee and highlighted the impact and changes due to CalPERS reporting Unfunded Accrued Liability (UAL) separate from the assumed employer contribution amount. Discussion occurred concerning UAL and GASB requirements. Mr. Ruiz reviewed the purpose of CalPERS' risk pool restructure and mentioned that its intent is to provide stability and spread the changes to rates over five year periods. Mr. Ruiz also mentioned that the new restructuring of the pools created two active pools, one for Miscellaneous groups and another for Safety groups, effective with the 2013 valuation. Mr. Ruiz reviewed the District's projected assumed contribution through fiscal year 2016/2017. Mr. Safranski requested that District staff provide a projection through fiscal year 2020/2021. Discussion occurred concerning impacts of the Public Employees Pension Reform Act (PEPRA) and the challenges of an aging workforce.

RECOMMENDED ACTION:

The Committee received the information concerning the CalPERS Annual Valuation Report for June 30, 2013, and recommended that District staff return to the Committee with information concerning the District's projected contribution amounts through fiscal year 2020/2021.

ITEM 4: DISCUSSION CONCERNING AUDITING SERVICES PERFORMED FOR TCWD

Mr. Ruiz presented this matter for Committee review and mentioned that Ms. Byerrum was in attendance to answer any questions concerning this matter. Mr. Ruiz added that the District has retained Charles Fedak & Company (Fedak) for auditing services for the past three years, but that the firm has undergone significant staffing changes and lost several key staff members. Ms. Byerrum mentioned that many of the same key staff members have transitioned to The Pun Group, and that she requested a Proposal for Auditing Services from The Pun Group for Trabuco Canyon Water District, Trabuco Canyon Public Financing Authority, and Trabuco Canyon Improvement Corporation. Mr. Ruiz mentioned that District staff has reviewed and compared The Pun Group's proposal with proposals received from other auditing firms in prior years, and found that their cost of services is lower, and The Pun Group can meet the District's requirements for auditing services.

RECOMMENDED ACTION:
The Committee received the information, and recommended that the Board authorize the General Manager to contract with The Pun Group to provide auditing services for the years ending 6/30/15, 6/30/16, and 6/30/17 for Trabuco Canyon Water District, Trabuco Canyon Public Financing Authority, and Trabuco Canyon Improvement Corporation for a not to exceed annual cost of $20,000 (Action Calendar).

ITEM 5: DISCUSSION CONCERNING TCWD'S RESERVES POLICY AND RESERVES

Mr. Ruiz presented this matter for Committee review and mentioned that District staff has reviewed the Reserves Policy and Reserves. Mr. Ruiz presented a handout which summarized the reserves adopted from 1999 to 2001, and their respective adopted Resolutions, and highlighted the following:

- Capital Improvement (Charges)/Water Storage (Facilities)/Sanitation System Capital Improvements
  Mr. Ruiz mentioned that these reserves are received through new developments, and that District staff is currently reviewing how these respective reserves are structured and managed.
- Emergency Capital Repair
  Mr. Ruiz mentioned that this reserve's funds have been transferred to another restricted reserve. Discussion occurred concerning the history and creation of the Emergency Capital Repair reserve. Mr. Ruiz added that this reserve was specific to emergency pipeline repairs.
- Equipment Maintenance Capital/District Capital Projects
  Mr. Ruiz reviewed the current amount of the respective reserves.
- Baker Water Treatment Plant/Trabuco Creek Wells/Reservoir & Distribution Improvements
  Mr. Ruiz mentioned that these reserves collectively constitute the Water Reliability and Emergency Storage Fund (WRES) established in 2010, and represent funds restricted to the respective projects. Discussion occurred concerning Baker WTP
- RD No. 5
  Mr. Ruiz mentioned that this reserve is for the El Toro Sewer System and the District's capacity ownership in Santa Margarita Water District's Chiquita Sewer System.

Discussion occurred concerning the District's Special Designation and Internal Financing reserves, and the historical development of the respective reserves. Mr. Ruiz recommended that District staff return to the Committee with additional information concerning the Reserves Policy and existing Reserves. Discussion occurred concerning the importance of policy clarity, transparency, and an annual review of the Policy.

RECOMMENDED ACTION:
The Committee received the information and recommended that District staff return with additional information concerning the District's Reserves Policy and Reserves at the April 8, 2015, Finance/Audit Committee Meeting.

ITEM 6: OTHER MATTERS

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

RECOMMENDED ACTION:
There was no recommended action.

ITEM 7A: FINANCIAL REPORT

Ms. Byerrum presented the unaudited financials for January, 2015, for Committee review, and highlighted the following items:

Statement of Revenues and Expenses

- Operating Revenue – Total Operating Revenue:

Ms. Byerrum mentioned that this line item was at approximately 64% Year to Date, which is typical for this time of the year for the District..

- Total Operating Expenses:

Ms. Byerrum mentioned that this line item was at approximately 55% Year to Date, which represents fewer expenses than the prior year.

RECOMMENDED ACTION:
The Committee recommended that the Board receive and file the January, 2015, unaudited Financial Statement, as presented (Consent Calendar).

ITEM 4B: FINANCIAL REPORT

Mr. Ruiz presented the bills for consideration for March 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 March 11, 2015, as presented (Consent Calendar).

ADJOURNMENT
Mr. Haselton adjourned the March 11, 2015, Finance/Audit Committee Meeting at 7:46 A.M.