

**TRABUCO CANYON WATER DISTRICT  
FINANCE AUDIT COMMITTEE MEETING RECAP  
JUNE 10, 2015**

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**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 June 10, 2015, Finance/Audit Committee Meeting to order at 7:00 A.M.

**VISITOR PARTICIPATION**

No visitor participation was received.

**ORAL COMMUNICATION**

No oral communication was received.

**COMMITTEE MEMBER COMMENTS**

Mr. Safranski had no comments.

Mr. Haselton had no comments.

**REPORT FROM THE GENERAL MANAGER**

Mr. Ruiz had no comments.

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

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The May 13, 2015, Finance/Audit Committee Meeting Recap was presented to the Committee.

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**RECOMMENDED ACTION:**

The Committee approved and recommended that the May 13, 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**

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The Committee reviewed the information presented. Mr. Haselton commented that he did not attend the Independent Special District of Orange County Meeting, and requested that the attendance item be removed from his schedule.

**RECOMMENDED ACTION:**

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

**ITEM 3: DISCUSSION AND POSSIBLE ACTION CONCERNING TCWD'S FISCAL YEAR 2015/2016 GENERAL  
FUND AND CAPITAL IMPROVEMENT BUDGETS**

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Mr. Ruiz provided a status update concerning this matter, and mentioned that District staff has incorporated budgetary updates based on direction from the Board of Directors at the May 11, 2015, Special Board Meeting – Budget Workshop. Mr. Ruiz added that District staff has received notice from Southern California Edison (SCE) that the District will have a net-zero rate increase for energy costs through the end of the calendar year. Mr. Ruiz presented the proposed Fiscal Year 2015/2016 Capital Improvement Program for Committee review and comment. Mr. Ruiz highlighted the following budget items:

- Wastewater System, Air Diffuser Replacement: Mr. Ruiz mentioned that the budget for this project has been lowered from \$35,000 to \$10,000.
- Mr. Ruiz mentioned that the Major Repairs/Expenses remained unchanged from the Special Board Meeting Budget Workshop.
- Maintenance Department, Replacement Fleet Vehicle Budgets: Mr. Ruiz mentioned that the individual budgets for the individual Replacement Fleet Vehicle budgets have been revised, but that the overall budget remains unchanged.
- Mr. Ruiz reviewed the addition of proposed rehabilitation of the District's water pressure regulating stations for \$45,000. Mr. Ruiz mentioned that this item was added by the Engineering/Operational Committee following a discussion with Water Operations staff on the need to rehabilitate several pressure regulating stations throughout the District's service area.

Mr. Ruiz presented the proposed Fiscal Year 2015/2016 General Fund Budget for Committee review, and mentioned that Ms. Byerrum was in attendance to answer any questions concerning the budgets. Ms. Byerrum reviewed the proposed Fiscal Year 2015/2016 Budget with the Committee in detail, and highlighted anticipated reduced revenue, the impact of required studies resulting in an increase to the water-related expenses, and the Other Post Employment Benefits (OPEB) costs. Discussion occurred concerning OPEB funding and the possible impacts of new GASB reporting requirements for pension and OPEB. Ms. Byerrum reviewed the Summary Budget table with the Committee and highlighted the

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projected impacts of revenue loss due to the State Water Board's mandated emergency regulations and conservation efforts on the part of the District's customers. Ms. Byerrum mentioned that the District will need to utilize certain reserves in order to balance the Fiscal Year 2015/2016 Budget in order to meet the mandatory 32% Conservation Standard. Discussion occurred concerning conservation trends District-wide; Mr. Ruiz mentioned that the District experienced a 15% reduction in total water production in April 2015 in comparison to April 2013. Discussion occurred concerning planned Major Repairs and Expenses, and timeline for completion for certain capital projects.

**RECOMMENDED ACTION:**

The Committee received the information concerning the matter, and recommended that the Board receive and adopt the proposed Fiscal Year 2015/2016 General Fund and Capital Improvement Program Budgets (Action Calendar).

**ITEM 4: DISCUSSION AND POSSIBLE ACTION(S) CONCERNING MWDOC'S PROPOSED FISCAL YEAR 2015/2016 BUDGET**

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Mr. Ruiz provided a status update on this matter, and reviewed the updated MWDOC Fiscal Year 2015/2016 Budget Exhibit with the Committee. Mr. Ruiz mentioned that District staff has reviewed the planned costs for the following year, and provided a handout of the Fiscal Year 2015/2016 Imported Water Rates and Cost Estimates for MWDOC and Metropolitan Water District of Southern California (MET) for Committee review. Mr. Ruiz highlighted the proposed meter charge, incremental rate, and the District's planned CHOICE Program involvement and associated costs. Mr. Ruiz mentioned that additional information concerning Water Use Efficiency Rebate Program participation will be provided at the Regular Board Meeting.

**RECOMMENDED ACTION:**

The Committee received the information concerning the matter. There was no recommended action.

**ITEM 5: OTHER MATTERS**

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Mr. Ruiz commented on the following matters:

- Mr. Ruiz mentioned that he is scheduled to deliver a joint emergency drought presentation with Santa Margarita Water District (SMWD) to the City of Rancho Santa Margarita on June 10<sup>th</sup>. Mr. Ruiz mentioned that the presentation highlights the history of both Districts, their respective service area challenges, the impacts of the State Water Board's mandated emergency regulations by a comparison of the Conservation Standard of each agency, and the different ways that the City can help the agencies during this time.
- Mr. Ruiz mentioned that District staff expects to receive proposals in response the comprehensive rate study Request for Proposal (RFP) by next week. Mr. Ruiz added that District staff sent the RFP to five firms, and that more information concerning this matter will be discussed at the July Finance/Audit Committee Meeting.

**RECOMMENDED ACTION:**

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There was no recommended action.

**ITEM 6A: FINANCIAL REPORT**

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

***Statement of Revenues and Expenses***

- Operating Revenue –Total Operating Revenue:

Ms. Byerrum mentioned that the District's Total Operating Revenue was similar to the budgeted amount for this time of year. Ms. Byerrum added that Residential Water sales for April 2015 were higher than the prior month due to greater demand system-wide. Discussion occurred concerning the methodology for Conservation Standard compliance; Mr. Ruiz mentioned that the State Water Board compares current monthly demand with the same month in 2013. Discussion occurred concerning impacts of the statewide drought and the implementation of the District's watering schedule.

**RECOMMENDED ACTION:**

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

**ITEM 6B: FINANCIAL REPORT**

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Mr. Ruiz presented the bills for consideration for June 10, 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 June 10, 2015, as presented (Consent Calendar).

**ADJOURNMENT**

Mr. Haselton adjourned the June 10, 2015, Finance/Audit Committee Meeting at 7:43 A.M.