

**TRABUCO CANYON WATER DISTRICT
FINANCE AUDIT COMMITTEE MEETING RECAP
JUNE 8, 2016**

DIRECTORS PRESENT

Committee Member Michael Safranski
Committee Member Alternate Glenn Acosta

DIRECTORS ABSENT

Committee Chair James Haselton

STAFF PRESENT

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

CONSULTANT(S) PRESENT

Cindy Byerrum, District Treasurer

PUBLIC PRESENT

There were no members of the public present

CALL MEETING TO ORDER

Director Safranski called the June 8, 2016, Finance/Audit Committee Meeting to order at 6:18 P.M.

VISITOR PARTICIPATION

No visitor participation was received.

ORAL COMMUNICATION

No oral communication was received.

COMMITTEE MEMBER COMMENTS

Director Acosta had no comments.

Director Safranski commented on his attendance at the South County Water Agencies Meeting, and said that the group discussed the State Water Board's new conservation regulations and the mandatory self-certification process. Discussion occurred concerning planned outreach and communication methods concerning the new regulations, and how the new regulations affect the District's Water Conservation Ordinance. Mr. Ruiz said that he will have more information concerning the State Water Board self-certification process at the Regular Board Meeting.

REPORT FROM THE GENERAL MANAGER

Mr. Ruiz reported on the following matters:

1. Mr. Ruiz reported that Director Haselton has been hospitalized, but that he had been advised that his condition is improving.

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- Mr. Ruiz reported that the South Orange County Wastewater Authority (SOCWA) has temporarily postponed the approval of their Fiscal Year 2016/2017 General Fund Budget pending further evaluation of the member agency cost allocation discussions. Mr. Ruiz added that SOCWA has scheduled a seventh Cost Allocation Workshop for June 15, 2016 to review general administrative costs and budget-related matters with the goal of approving a budget by the end of June.

ITEM 1: FINANCE/AUDIT COMMITTEE MEETING RECAP

The May 11, 2016, Finance/Audit Committee Meeting Recap was presented to the Committee.

RECOMMENDED ACTION:

Director Safranski and Mr. Perea approved and recommended that the May 11, 2016, 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. Director Acosta requested that the Directors' Fees and Expenses Report for May, 2016 reflect the following changes to his meeting attendance:

- Attendance at the County of Orange Board of Supervisors Board Meeting on May 10th
- Attendance at the Water Advisory Committee of Orange County on May 13th
- Non-attendance at the City of Rancho Santa Margarita City Council on May 25th

RECOMMENDED ACTION:

The Committee recommended that the Directors' expenses and fees for May, 2016, and the tentative future meetings be forwarded to the Board for ratification as amended (Consent Calendar).

ITEM 3: DISCUSSION) CONCERNING TCWD'S FISCAL YEAR 2016/2017 UNDEVELOPED LAND/WATER STANDBY ASSESSMENT

Mr. Ruiz provided a status update on this matter, and commented that the Fiscal Year 2016/2017 Undeveloped Land/Water Standby Assessment (Assessment) will be agendized for discussion at the following Regular Board Meeting for Board action. Mr. Ruiz said that District staff recommends the preparation of an alternative policy and process for parcel owners of undeveloped land that want to exempt their property from the assessment, and that this matter is being discussed with District Legal Counsel. Discussion occurred concerning the development of an application process for parcel owners that want to be exempt from the Assessment, and the forfeiture of water access as a requirement for exemption. Mr. Ruiz said that District staff will work with District Legal Counsel to prepare an application for the exemption process for Board review.

RECOMMENDED ACTION:

The Committee received information concerning the matter. No action was taken.

ITEM 4: DISCUSSION AND POSSIBLE ACTION(S) CONCERNING MUNICIPAL WATER DISTRICT OF ORANGE COUNTY (MWD OC) FISCAL YEAR 2016/2017 PROPOSED RATES, CHARGES, AND BUDGET

Mr. Ruiz provided a status update on this matter for the Committee, and reviewed the MWD OC Member Agency Choice Services Program Summary (Exhibit) with the Committee. Mr. Ruiz highlighted the proposed Water Use Efficiency budget, and said that District staff has reviewed the rebate program trends to determine the appropriate rebate enhancements. Mr. Perea provided a handout which demonstrated the proposed Fiscal Year 2016/2017 Water Use Efficiency Rebate Program Enhancement Budget for Committee review, and highlighted the program trends and proposed budget.

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RECOMMENDED ACTION:

The Committee received information and recommended that the proposed Fiscal Year 2016/2017 Water Use Efficiency Rebate Program Enhancement Budget be forwarded to the Board for review (Action Calendar).

ITEM 5: DISCUSSION AND POSSIBLE ACTION(S) CONCERNING TRABUCO CANYON WATER DISTRICT'S FISCAL YEAR 2016/2017 CAPITAL IMPROVEMENT PROGRAM (CIP) AND GENERAL FUND BUDGETS

Mr. Ruiz presented this matter to the Committee, and mentioned that District staff worked with the District Treasurer to implement the review comments and suggestions from the May 23, 2016, Special Board Meeting Budget Workshop, and prepare the final DRAFT Fiscal Year 2016/2107 Capital Improvement Program and General Fund Budgets (Exhibit). Mr. Ruiz added that Ms. Byerrum was in attendance to answer any Committee member questions concerning the matter, and reviewed the following items.

CAPITAL IMPROVEMENT PROGRAM (CIP)

Mr. Ruiz reviewed the DRAFT Proposed Fiscal Year 2016/2017 CIP with the Committee, and highlighted the following items that have been recently added since the May 23, 2016 Special Board Meeting Budget Workshop:

Cooks Reservoir Security Fence Improvements

Mr. Ruiz said that the current condition of the security fence at the Cooks Reservoir is significantly degraded and requires replacement, including soil grade restoration. Mr. Ruiz presented photographs of the facility's existing conditions. Discussion occurred concerning the budgeted costs for the project, and cost allocation strategies.

Plano Trabuco Sewer Lift Station Security Wall Improvements

Mr. Ruiz said that District staff has determined that improvements to the Plano Trabuco Sewer Lift Station Security Wall are necessary to secure the facility. The improvements consist of adding chain link fencing on the north and rear sides of the facility and a new automated gate entrance. Discussion occurred concerning security wall improvement options and aesthetic design to mirror the Dahlia Court development. Mr. Ruiz said that he has met with William Lyon Homes (Developer) to coordinate the proposed improvements with the development architect and vendors.

Fleet Vehicle Replacement

Mr. Ruiz commented that the current District Fleet Vehicle used at the Administrative Facility has been serviced multiple times this year for significant electrical and mechanical-related problems, and that District staff are currently securing costs for a replacement vehicle. Discussion occurred concerning opportunities for vehicle leasing as opposed to purchase.

GENERAL FUND BUDGET

Ms. Byerrum presented a revised General Fund Budget Schedule for Committee review, and highlighted the following items:

Operating Revenue, Residential Water Revenues

Ms. Byerrum said that the difference between the adopted budget and the projected end of year for this line item is directly related to the rate increases at the beginning of the year.

Non-Operating Revenue, Property Tax Unrestricted

Ms. Byerrum said that the increase in this line item is related to an increase in payments to the County of Orange.

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Operating Expenses, Source of Supply

Ms. Byerrum said that the decrease in purchases demonstrated the conservation efforts taken by the District's customers during the fiscal year.

Operating Expenses, Urban Runoff & Recovery

Ms. Byerrum said that the increase over the adopted budget is due to required maintenance and repairs for two Pressure Regulating Stations.

Mr. Ruiz said that District staff will prepare and deliver a revised Budget Guideline for the Director review by the end of the week, and will present the final proposed Fiscal Year 2016/2017 Capital Improvement Program and General Fund Budgets at the June 15, 2016, Regular Board Meeting.

RECOMMENDED ACTION:

The Committee received information concerning the matter, and recommended that the DRAFT Fiscal Year 2016/2017 Capital Improvement Program and General Fund Budgets be forwarded to the Board of Directors for approval and adoption (Action Calendar).

ITEM 6: OTHER MATTERS

Mr. Ruiz had no other matters to report. Director Safranski said that his schedule has changed due to his new employment, and requested that the Committee meet at 6:00 PM temporarily for the next few months.

RECOMMENDED ACTION:

The Committee directed District staff to temporarily schedule future Finance/Audit Committee Meetings for 6:00 PM on the second Wednesday of each month.

ITEM 7: FINANCIAL REPORT

Ms. Byerrum presented the unaudited financials for April, 2016, for Committee review, and reported that there were no anomalies to report. Discussion occurred concerning the following matter(s):

Statement of Revenues and Expenses

- Net Income Before OPEB & Depreciation & Capital Contributions:

Ms. Byerrum said that this line item indicates a deficit of 54%. Discussion occurred concerning the planned rate increase of 5% at the end of the year based on the adopted rate study.

RECOMMENDED ACTION:

The Committee recommended that the Board receive and file the April, 2016, unaudited Financial Statement, as presented (Consent Calendar).

ITEM 7B: FINANCIAL REPORT

Mr. Ruiz presented the bills for consideration for June 8, 2016.

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 8, 2016, as presented (Consent Calendar).

ADJOURNMENT

Director Safranski adjourned the June 8, 2016, Finance/Audit Committee Meeting at 7:13 P.M.