

**TRABUCO CANYON WATER DISTRICT
FINANCE AUDIT COMMITTEE MEETING RECAP
MAY 11, 2016**

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 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 Haselton called the May 11, 2016, Finance/Audit Committee Meeting to order at 1:30 P.M.

VISITOR PARTICIPATION

No visitor participation was received.

ORAL COMMUNICATION

No oral communication was received.

COMMITTEE MEMBER COMMENTS

Director Safranski commented on the following matters:

1. Director Safranski commented on his attendance at the Association of California Water Agencies (ACWA) Spring Conference, and mentioned that a State Water Board Representative delivered a status update presentation on the statewide drought and the plan to move from a conservation mandate designed by the State to a conservation standard determined by self-certification. Director Safranski emphasized that conservation will shift from the State Water Board to local control. Discussion occurred concerning recently released State Water Board regulations.
2. Director Safranski commented on a recent Orange County Register article which highlighted the Santa Margarita Water District (SMWD) Cadiz Project.
3. Director Safranski highlighted the potential for energy rolling blackouts during the summer months due to lower energy production levels and high demands. Discussion occurred concerning emergency preparedness and response.
4. Director Safranski commented on his attendance at the County of Orange Board of Supervisors Meeting where Mr. Ruiz delivered a presentation on the District, and mentioned that Mr. Ruiz did an excellent job.

**TRABUCO CANYON WATER DISTRICT
FINANCE AUDIT COMMITTEE MEETING RECAP | MAY 11, 2016**

Director Haselton commented on a recent Orange County Register article which highlighted the potential impacts of the shutdown of the San Onofre Nuclear Generation Station on energy supplies for Southern California Edison (SCE) and the financial impacts to its rate payers.

REPORT FROM THE GENERAL MANAGER

Mr. Ruiz had no matters to report.

ITEM 1: FINANCE/AUDIT COMMITTEE MEETING RECAP

The April 13, 2016, Finance/Audit Committee Meeting Recap was presented to the Committee.

RECOMMENDED ACTION:

The Committee approved and recommended that the April 13, 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 Safranski requested that the Directors' Fees and Expenses Report for May 2016 include this attendance at the ACWA Spring Conference.

RECOMMENDED ACTION:

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

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

Mr. Ruiz presented this matter for Committee review, and mentioned that CalPERS prepares this information annually 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. Perea reviewed the changes since the prior year valuation, and highlighted the District's Projected Future Employer Contributions for the District through Fiscal Year 2021/2022, which assumed a 3% cost of living adjustment in projected payroll values. Discussion occurred concerning the District's Unfunded Accrued Liability (UAL) and required employer contribution for Fiscal Year 2015/2016.

RECOMMENDED ACTION:

The Committee recommended that the matter be forwarded to the Board for receipt and file (Consent Calendar).

ITEM 4: DISCUSSION) CONCERNING TCWD'S FISCAL YEAR 2016/2017 UNDEVELOPED LAND/WATER STANDBY ASSESSMENT

Mr. Ruiz introduced this item, and said that the Undeveloped Land/Water Standby Assessment (Assessment) is presented at an annual Public Hearing in July for adoption. Mr. Ruiz mentioned that the charge and methodology for the determination of the charge has not been changed since its original adoption. Mr. Ruiz said that District staff has identified certain parcel owners in the District's service area that have either not paid the Assessment or have requested to be removed from the Assessment list due to their non-profit status. Mr. Ruiz provided a brief summary of the groups that have expressed interest in being removed from the Assessment list. Discussion occurred concerning the criteria for removal from the Assessment list and the preparation and maintenance of a list of parcel owners removed from the Assessment list, once approved; Mr. Ruiz said that District staff will work with District Legal Counsel to prepare an application for these types of parcel owners.

**TRABUCO CANYON WATER DISTRICT
FINANCE AUDIT COMMITTEE MEETING RECAP | MAY 11, 2016**

Discussion occurred concerning the inclusion of certain language to ensure the retroactive payment of unpaid assessments in the event an approved parcel is sold and requires access to the District's water system.

RECOMMENDED ACTION:

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

ITEM 5: DISCUSSION AND POSSIBLE ACTION(S) REGARDING SALARY AND TOTAL COMPENSATION SURVEY CONSULTING SERVICES

Mr. Ruiz presented this matter for Committee review, and said that District staff issued a Request for Proposal for Salary and Total Compensation Services to five consultant firms in March, 2016. Mr. Ruiz added that District staff received three proposals, and provided a copy of each proposal and a cost summary handout of the proposals for Committee review. Mr. Ruiz mentioned that an internal Proposal Review Committee comprised of District staff was formed to review the proposals and select the consultant, and reported that Koff and Associates (Koff) was selected as the recommended consultant. Mr. Ruiz reviewed the Koff Cost Proposal Options, and recommended that he negotiate with Koff on the total number of hours on certain list items. The Committee recommended that only one meeting with the Board of Directors to review the final report was necessary. Discussion occurred concerning the timeline for completion and Koff's experience in the field of Salary and Total Compensation Consultant Services; Mr. Ruiz said that he anticipates having a final report by September with anticipated salary adjustments which would be reviewed at the Mid-Year Budget Review in February, 2017, or earlier depending on the results of the survey.

RECOMMENDED ACTION:

The Committee recommended that the matter be forwarded to the Board for review (Action Calendar).

ITEM 6: DISCUSSION AND POSSIBLE ACTION(S) CONCERNING MUNICIPAL WATER DISTRICT OF ORANGE COUNTY (MWDOC) FISCAL YEAR 2016/2017 PROPOSED RATES, CHARGES, AND BUDGET

Mr. Ruiz provided a status update on this matter for the Committee, and reviewed the MWDOC Member Agency Choice Services Program Summary (Exhibit) with the Committee. Mr. Ruiz highlighted the Water Loss Control Program and mentioned that District staff has not decided whether or not to participate in the Program due to feasibility concerns. Mr. Ruiz reviewed the Fiscal Year 2016/2017 Imported Water Rates and Cost Estimates for Metropolitan Water District of Southern California (MET) and MWDOC with the Committee. Director Safranski expressed concern on the final cost for total rates and charges and the equivalent cost per acre-foot; Mr. Ruiz said that the true percent increase to the District is approximately four to eight percent, depending on the amount of treated or untreated water purchased. Mr. Ruiz added that additional information concerning this matter will be presented at the Regular Board Meeting for Director review and comment.

RECOMMENDED ACTION:

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

ITEM 7: 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 is currently working with the District Treasurer to present the Fiscal Year 2016/2107 Capital Improvement Program and General Fund Budgets to the Board of Directors. Mr. Ruiz added that Ms. Byerrum was in attendance to answer any Committee member questions concerning the matter. Ms. Byerrum presented a handout of the DRAFT Proposed Fiscal Year 2016/2017 General Fund Budget, Budget Summary, and Reserve Projections for Committee review, and highlighted the following items:

**TRABUCO CANYON WATER DISTRICT
FINANCE AUDIT COMMITTEE MEETING RECAP | MAY 11, 2016**

GENERAL FUND BUDGET & BUDGET SUMMARY

Ms. Byerrum presented the DRAFT Proposed Fiscal Year 2016/2017 Budget Summary, Schedule A, and reviewed the sources of funds from the operating budget, uses of funds from budget, and the net surplus effect of the interest paid by other sources to the proposed budget. Ms. Byerrum reviewed the impact of the costs associated with the construction of the Baker Water Treatment Plant on the District's proposed budget. Discussion occurred concerning future opportunities to sell product water to neighboring agencies to recuperate the District's costs associated with the project. Ms. Byerrum reviewed the proposed operating/non-operating revenues and expenses in comparison with Fiscal Year 2015/2016 adopted budget and projected totals by end of fiscal year. Discussion occurred concerning the impact of the recently adopted water, wastewater, and recycled water rates and charges on District revenues, and the feasibility of extending the Temporary Revenue Stabilization Charge. Ms. Byerrum reviewed the proposed salaries and benefits budget, and mentioned that the District recommends a three percent budget increase to employee salaries and an eight percent increase to employee health benefits. Discussion occurred concerning the timeline for completion of the planned Salary and Total Compensation Survey, and when the District will be notified of the calendar year 2017 CalPERS health benefit rates; Mr. Perea said that the CalPERS health benefit rates are typically released at the end of June. Mr. Ruiz mentioned that he plans to advertise for a new entry level Maintenance full time position next year as a result of employees that retired at the end of 2015, but that in the meantime, District staff has outsourced certain services to accommodate the understaffing.

DISTRICT RESERVE PROJECTIONS

Ms. Byerrum reviewed the DRAFT Fiscal Year 2016/2017 District Reserve Projections with the Committee, and mentioned that the total change in reserves will be approximately \$5.593 Million. Ms. Byerrum added that she and District staff are analyzing methods for future reserve replenishment to accommodate the capital improvement projects approved in the 10-Year Essential Capital Improvement Program (CIP).

CAPITAL IMPROVEMENT PROGRAM (CIP)

Mr. Ruiz reviewed the DRAFT Proposed Fiscal Year 2016/2017 CIP with the Committee, and highlighted the following items:

ADMINISTRATION

- Network Server Upgrade and Utility Billing System:

Mr. Ruiz said that these two projects are related as the District's current network server infrastructure is at capacity and approaching end of life. Mr. Ruiz reported that District staff is working with Synoptek (the District's IT Consultant) to determine the associated hardware and software costs to accommodate the planned utility billing system.

- Administration Facility Kitchen:

Mr. Ruiz said that District staff has determined that the Administration Facility plumbing requires significant upgrades due to degraded pipes and fittings below the kitchen sink, and that the cabinetry requires replacement. Mr. Ruiz said that the proposed budget is \$20,000.

WATER

- Cooks Reservoir Replacement:

Mr. Ruiz commented that although the Board approved this project at the March 16, 2016, Regular Board Meeting, that the contractor is unable to finish the project by the end of this fiscal year. Mr. Ruiz added that Water Operations staff recommends delaying this project to September/October in Fiscal Year 2016/2017.

**TRABUCO CANYON WATER DISTRICT
FINANCE AUDIT COMMITTEE MEETING RECAP | MAY 11, 2016**

- **El Toro Road Field Office:**
Mr. Ruiz said that this District facility requires an improved perimeter security fence and the demolition of the existing pump house due to its dilapidated condition.
- **Santiago Canyon Road Pipeline Improvements and Replacement:**
Mr. Ruiz said that this project is designed to improve reliability and connection of services to the twelve-inch main and abandon a remaining section of the eight-inch pipeline that periodically fails.
- **Mountain View Drive:**
Mr. Ruiz said that this project is designed to provide an improved fire flow to the canyon area serviced by the pipeline. Mr. Ruiz added that this project consists of the installation of three hundred feet of new pipeline, twelve new residential service laterals, and a new fire hydrant to service the customers in this remote part of the District's service area.

WASTEWATER

- **1986 Crane Truck Replacement:**
Mr. Ruiz said that the District's current crane truck is approximately thirty years old and requires replacement.
- **WWTP and Service Road –Asphalt Repairs Phase 1:**
Mr. Ruiz said that this project may be a larger project due to the damaged Arizona crossing on the access road, so District staff will conduct a study and geotechnical tests prior to completing the work.
- **El Toro Road Sewer Lift Station, Valve Replacement and Station Improvements:**
Mr. Ruiz said that this project is necessary because the existing twelve-inch valve is broken in the open position and requires replacement.

RECOMMENDED ACTION:

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

ITEM 8: DISCUSSION AND POSSIBLE ACTION(S) CONCERNING TCWD'S PLANO TRABUCO RECYCLED WATERLINE EXTENSION PROJECT

Mr. Ruiz presented this matter for Committee review, and said that the District's portion and the Nursery's onsite portion of this project have been completed, and the project has been an overall success. Mr. Ruiz added that the Nursery's onsite work is being funded by the Metropolitan Water District of Southern California (MWD) through a grant with the property owner. Mr. Ruiz mentioned that the Engineering/Operational Committee recommended that District staff review the matter of the collection of capital charges related to this parcel. Mr. Ruiz said that the District has not made a practice of collecting fees for potable water to recycled water conversions in the past, but this unique situation involves an undeveloped site which may be developed for a purpose other than agricultural purposes in the future. Discussion occurred concerning the re-evaluation of the necessity of fee assessment in the event the site is rezoned in the future. Mr. Ruiz mentioned that his primary concern is that the current parcel owner's usage of recycled water does not secure recycled water capacity rights for a future parcel owner in the event the site is rezoned for another purpose. The Committee concurred with Mr. Ruiz and recommended discussing this matter at the Engineering/Operational Committee Meeting, as well.

RECOMMENDED ACTION:

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

**TRABUCO CANYON WATER DISTRICT
FINANCE AUDIT COMMITTEE MEETING RECAP | MAY 11, 2016**

ITEM 9: OTHER MATTERS

Mr. Ruiz had no other matters to report.

RECOMMENDED ACTION:

No action was taken.

ITEM 10: FINANCIAL REPORT

Mr. Ruiz presented the unaudited financials for March, 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

- Operating Expenses – Total Operating Expenses:

Mr. Ruiz reported that this line item is higher than the prior month due to a newly hired employee to the Wastewater Operations Department.

RECOMMENDED ACTION:

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

ITEM 10B: FINANCIAL REPORT

Mr. Ruiz presented the bills for consideration for May 11, 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 May 11, 2016, as presented (Consent Calendar).

ADJOURNMENT

Director Haselton adjourned the May 11, 2016, Finance/Audit Committee Meeting at 3:55 P.M.