

FINANCE AND AUDIT BOARD OF DIRECTORS' MEETING
MOULTON NIGUEL WATER DISTRICT
27500 La Paz Road, Laguna Niguel
August 18, 2010
9:00 a.m. (PDT)
Approximate Meeting Time: 1-2 Hours

THIS BOARD MEETING WILL INCLUDE TELECONFERENCING AT THE
FOLLOWING LOCATION:
12025 CEDAR SHORE ROAD, ELLISON BAY, WISCONSIN

1. Call Meeting to Order
2. Approve the Minutes of the July 14, 2010 Finance & Audit Board of Directors' Meeting
ROLL CALL VOTE
3. Public Comments
4. GASB 45 Actuarial Valuation Report (OPEB) Update

Moulton Niguel Water District provides medical benefits to eligible retirees. As such, the District is required to comply with Government Accounting Standard Board (GASB) Statement 45 beginning in 2008. Staff has implemented the financial reporting requirements to comply with Generally Accepted Accounting Principles (GAAP) related to GASB 45.

Over the past several years, the District has reported and funded the post-retirement medical expenses with pay-as-you-go and the Annual Requirement Contribution (ARC). The ARC payment less the pay-as-you-go payments are made to the California Employers Retiree Benefit Trust (CERBT) based on an annual actuarial calculation performed by The Epler Company each June. Both GASB and CERBT require that the ARC be based on the actuarial assumption used by the CERBT. Based on this requirement, The Epler Company is required to use a 7.75% investment rate of return and a funding period of 28 years. The result of this calculation is an ARC payment of \$419,017. However, the District may at its option, fund an amount greater than the required ARC payment.

At the July Finance Board Meeting, the Board of Directors directed staff to run a scenario that would use a 5% investment rate of return and a funding period of 20 years. The Epler Company has completed this calculation and as a result of this alternative, the ARC payment for 2010-11 will be \$626,022. The District's 2010-11 adopted budget contains an appropriation of \$532,067 for the 2010-11 ARC payment.

Staff recommends that the Board: 1) Authorize staff to make the 2010-11 ARC payment using the District's revised actuarial policy as outlined and fund the OPEB obligation at an amount greater than required by CERBT actuarial assumptions; and 2) Approve an appropriation of \$93,955 from the unappropriated reserves of the District's General Fund to fund the additional payment required above the 2010-11 budgeted appropriation.

5. Proposed 1993 Certificate of Participation (COPs) Refunding

The District has the opportunity to refund the balance of the 1993 Certificates of Participation (COPs) which have maturities between 2011 and 2017. Short term interest rates have continued to fall since January 2010 by an average of 42 basis points. Assuming we refund the COPs by December, and the interest rates are roughly the same as today, refunding the 1993 COPs would generate approximately \$718,000 or 7.7% net present value savings. The refunding would reduce the annual debt service payments by an average of \$75,000 from 2011 to 2017. With a 2017 final maturity, this is likely to be one of the last opportunities the District will have to generate savings from the 1993 COPs. It is recommended the Board authorize staff to take advantage of this refunding opportunity and utilize the services of the finance team that helped the District sell the 2009 Build America Bonds.

RECOMMENDED ACTION:

THE BOARD OF DIRECTORS DIRECTS STAFF TO PURSUE THE REFUNDING OF THE 1993 COPS AND AUTHORIZE STAFF TO USE THE SERVICES OF THE FINANCE TEAM FORMED FOR THE SALE OF THE 2009 BUILD AMERICA BONDS.

6. 2009 Water Supply Reliability Bond Cash Flow Update
7. Quarterly Purchase Order Approvals by General Manager (None to report)
8. Review Summary of Financial Statements for the Period Ended July 31, 2010 and June 30, 2010 (Pre-Audit)
9. Review Debt Service Schedule
10. Late Items (Appropriate Findings to be Made)
 - a. Need to take immediate action; and
 - b. Need for action came to District's attention after Agenda posting
[Requires 2/3 vote (5 members) or unanimous vote if less than 2/3 present]
11. Adjournment

The Board of Directors' Meeting Room is wheelchair accessible. If you require any special disability related accommodations (i.e., access to an amplified sound system, etc.), please contact the Moulton Niguel Water District Secretary's office at (949) 643-2006 at least seventy-two (72) hours prior to the scheduled meeting. This agenda can be obtained in alternate format upon written request to the Moulton Niguel Water District Secretary at least seventy-two (72) hours prior to the scheduled meeting.

Agenda exhibits and other writings that are disclosable public records distributed to all, or a majority of, the members of the Moulton Niguel Water District Board of Directors in connection with a matter subject to discussion or consideration at an open meeting of the Board of Directors are available for public inspection at the District Office, 27500 La Paz Road, Laguna Niguel, CA ("District Office"). If such writings are distributed to members of the Board less than 72 hours prior to the meeting, they will be available in the reception area of the District Office at the same time as they are distributed except that, if such writings are distributed immediately prior to, or during the meeting, they will be available in the Board meeting room.