



**FINANCE & INFORMATION TECHNOLOGY
BOARD OF DIRECTORS' MEETING
MOULTON NIGUEL WATER DISTRICT
27500 La Paz Road, Laguna Niguel
August 20, 2014
9:00 AM
Approximate Meeting Time: 3 Hours**

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

1. CALL MEETING TO ORDER
2. APPROVE THE MINUTES OF THE JULY 16, 2014 FINANCE AND INFORMATION TECHNOLOGY BOARD OF DIRECTORS' MEETING
3. PUBLIC COMMENTS - CLOSED SESSION
Persons wishing to address the Board of Directors on matters not listed on the Agenda may do so at this time. "Request To Be Heard" forms are available at the entrance to the Board Room. Comments are limited to five minutes unless further time is granted by the Presiding Officer. Submit form to the Recording Secretary prior to the beginning of the meeting.

Those wishing to address the Board of Directors on any item listed on the Agenda should submit a "Request To Be Heard" form to the Recording Secretary before the Presiding Officer announces that agenda item. Your name will be called to speak at that time.

CLOSED SESSION

4. CONFERENCE WITH REAL PROPERTY NEGOTIATORS, Pursuant to Government Code Section 54956.8

*Property: 4 Liberty, Aliso Viejo, 92656
Under Negotiation: Price and terms of payment
Real Property Negotiators: Joone Lopez, Matt Collings, Kevin Turner, Mike Hartel*
5. PUBLIC COMMENTS - OPEN SESSION

PRESENTATION ITEMS

6. Update on Rate Study

7. Revised Cash Flow Model

DISCUSSION ITEMS

8. Revised Reserve Policy
9. At-Large Voting

INFORMATION ITEMS

10. Monthly Financial Report
 - a. Summary of Financial Results
 - b. Budget Comparison Report
 - c. Financial Statements
 - d. Restricted Cash and Investments with Fiscal Agent
 - e. Unrestricted and Restricted Fund Balances
 - f. Summary of Disbursements July 2014
11. 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 are present]

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) 831-2500 at least forty-eight (48) 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 forty-eight (48) 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 seventy-two (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 and on the District website at www.mnwd.com.



DRAFT
MINUTES OF THE REGULAR MEETING OF THE
FINANCE & INFORMATION TECHNOLOGY BOARD OF DIRECTORS OF THE
MOULTON NIGUEL WATER DISTRICT

July 16, 2014

A Regular Meeting of the Finance & Information Technology Board of Directors of the Moulton Niguel Water District was held at the District offices, 27500 La Paz Road, Laguna Niguel, California, at 9:00 AM on July 16, 2014. There were present and participating:

DIRECTORS

Scott Colton	Director
Richard Fiore	Director
Donald Froelich	Vice President
Gary Kurtz	Director
Larry Lizotte	Director
Larry McKenney	President
Brian Probolsky	Vice President/Chair (left at 11:00 a.m.)

Also present and participating were:

STAFF MEMBERS, LEGAL COUNSEL, AND MEMBERS OF THE PUBLIC

Joone Lopez	General Manager
Matt Collings	Assistant General Manager
Gina Hillary	Director of Human Resources
Kelly Winsor	Assistant to the General Manager
Paige Gulck	Board Secretary
Karen Maddox	MNWD
Eva Plajzer	MNWD
Drew Atwater	MNWD
Ruth Zintzun	MNWD
Ted Piorkowski	Chandler Asset Management
Brian Thomas	Public Financial Management
Matt Weber	Downey Brand
Tim Strader Jr.	Starpointe
Patrick Strader	Starpointe
Michael Hartel	Voit

#2.

Kevin Turner
Jerry McCloskey
Stephanie Smith

Voit
City of Laguna Niguel
Inside the Outdoors

1. CALL MEETING TO ORDER

The meeting was called to order by Brian Probolsky at 9:05 a.m.

2. APPROVE THE MINUTES OF THE JUNE 18, 2014 FINANCE AND INFORMATION TECHNOLOGY BOARD OF DIRECTORS' MEETING

MOTION DULY MADE BY LARRY MCKENNEY AND SECONDED BY RICHARD FIORE, MINUTES OF THE JUNE 18, 2014 FINANCE AND INFORMATION TECHNOLOGY BOARD OF DIRECTORS' MEETING WERE APPROVED AS AMENDED. THE VOTE WAS UNANIMOUS WITH DIRECTORS SCOTT COLTON, RICHARD FIORE, DONALD FROELICH, GARY KURTZ, LARRY LIZOTTE, LARRY MCKENNEY, AND BRIAN PROBOLSKY ALL VOTING 'AYE'.

PUBLIC COMMENTS - CLOSED SESSION

None.

CLOSED SESSION

3. CONFERENCE WITH REAL PROPERTY NEGOTIATORS, Pursuant to Government Code Section 54956.8

Property: 4 Liberty, Aliso Viejo, CA 92656

Under Negotiation: Price and terms of payment

Real Property Negotiators: Joone Lopez, Matt Collings, Kevin Turner, Mike Hartel

Closed session ended at 10:41 a.m.

Larry McKenney stated that no reportable action was taken on this item.

PUBLIC COMMENTS - PUBLIC SESSION

None.

DISCUSSION ITEMS**4. Orange Coast Watershed and Environmental Center**

Larry McKenney disclosed that he sits on the Board of Directors for the Orange Coast Watershed and Environmental Center, which is a non-profit organization thus there is no requirement to recuse himself.

Joone Lopez introduced Jerry McCloskey, Council Member for Laguna Niguel, and Stephanie Smith, from Inside the Outdoors. Matt Collings provided background on the item. Jerry McCloskey asked the Board to contribute to a water conservation program for children in South Orange County. Stephanie Smith gave an overview of the program and its benefits to the children and the surrounding communities.

5. Quarterly Investment Report - Chandler Asset Management

Ted Piorkowski presented the Quarterly Investment Report. Discussion ensued regarding the District's profile, portfolio holdings, and economic trends in the market.

6. Bay Delta Conservation Plan Comment Letter

This item will be discussed at the July 17, 2014 Board of Directors meeting.

7. Adoption of the Purchasing Policy (Resolution No. 14-___)

This item will be discussed at the July 17, 2014 Board of Directors meeting.

8. Laguna Sur Sewer Rates (Resolution No. 14-___)

This item will be discussed at the July 17, 2014 Board of Directors meeting.

9. Rebate Program Update

Matt Collings provided an update on the program. Discussion ensued regarding program modifications and next steps.

INFORMATION ITEMS**10. Monthly Financial Report**

Brian Thomas presented the Monthly Financial Report.

11. Late Items (Appropriate Findings to be Made)

Staff has none.

#2.

ADJOURNMENT

The meeting was adjourned at 12:03 p.m.

Respectfully submitted,

Paige Gulck
Board Secretary

DRAFT



Moulton Niguel Water District

STAFF REPORT

TO: Board of Directors **MEETING DATE:** August 20, 2014

FROM: Matt Collings, Assistant General Manager
Ruth Zintzun, Finance Manager

SUBJECT: Revised Reserve Policy

SUMMARY:

Issue: The existing Reserve Policy is five years old, and it should be amended to reflect today's District operations and financial needs.

Recommendation: It is recommended that the Board of Directors approve the revised Reserve Policy.

Fiscal Impact: The revised Reserve Policy enhances the District's position in mitigating financial risk during economic or natural uncertainties. There is no impact on the Fiscal Year 2014-15 budget.

BACKGROUND:

The complex nature of Moulton Niguel Water District's (District's) financial liabilities and risk exposure necessitate a robust reserve policy to plan for future cash flow and uncertainties. There are a range of risks, from needing cash on hand due to the difference in timing between revenue and expenditures to the possibility of asset failures due to natural disaster. In order to help mitigate the impact these risks may have on the District and its ratepayers, reserves are established to buffer revenue and expense volatility and help reduce the need for large rate increases due to such events. The proposed main classes of reserves are:

- Operating Reserves
 - O&M
 - Rate Stabilization
 - Self-Insurance
- Capital Reserves
 - R&R
 - Emergency
- Debt Reserves

#8.

Revised Reserve Policy

August 20, 2014

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○ Bond Restricted Reserves

The current reserve policy was created in 2009 in response to large debt issuances. The reserve justifications and bounds on levels do not necessarily capture all of the present day District operations and financial risks. The revised Reserve Policy sets target levels in order to balance current risks and anticipated future risks.

DISCUSSION:

The major changes to the reserve policy include:

- Eliminating 2 reserve categories
- Changing the rationale for the target Rate Stabilization Reserve balance
- Establishment of target reserve balance rather than a minimum balance
- Inclusion of specific guidelines on the uses, replenishment, and monitoring of the reserves.

In addition to these major changes, rationale for each of the reserves has been clarified, as shown below:

- General Operating Reserve – support the District’s cash flow needs during operations. Target equal to 4 months of operating expenses.
- Self-Insurance Reserve – fund property and liability insurance deductibles and claims. Target equal to five times the insurance deductible.
- Rate Stabilization Reserve – avoid large fluctuations in customer water and sewer rates. Target equal to 50% of the ad valorem property tax revenue.
- Replacement & Refurbishment Reserve (R&R) – accumulate funds for the replacement of District assets. Target equal to annual average of the ten-year R&R CIP.
- Emergency Reserve – provide financial ability to react to a natural disaster or facility failure. Target equal to 2% of District asset value/
- Debt Service Reserve – comply with bond covenants and provide debt payment assurance to investors. Targets set by bond covenants.

Below is a summary of the target reserves for Fiscal Year 2014-15 based on District’s Fiscal Years 2014-15 & 2015-16 Adopted Operating and Capital Improvement Program Budget. The reserve targets will adjust at the start of each Fiscal Year based on changes to the operating budget, 10-year capital improvement plan, and other relevant financial metrics used to calculate reserve targets as stated in the respective reserve fund.

Impacts of Changes to Reserve Policy

	6/30/2014 Balance	Current Reserve Policy (Min)	Current Reserve Policy (Max)	Revised Reserve Policy (Targets)
Self-Insurance Reserves	\$ 1,293,508	\$ 250,000	\$ 600,000	\$ 250,000
Replacement and Refurbishment	\$ 24,058,619	\$ 5,242,270	\$ 230,971,746	\$ 17,061,912
Water Supply Reliability	\$ 4,876,411	\$ 1,973,209		Not Identified
Planning and Construction	\$ 29,729,938	\$ 11,548,587		Not Identified
Rate Stabilization	\$ 9,815,536	\$ 7,766,087	No Max	\$ 10,663,995
General Operating	\$ 15,277,528	\$ 15,277,528	\$ 61,110,111	\$ 20,262,901
Emergency	Not Identified	Not Identified	Not Identified	\$ 6,884,925
Debt Service Reserves	\$ 9,406,042	\$ 9,406,042	No Max	\$ 9,406,042
Total Reserves	\$ 94,457,582	\$ 51,463,723	\$ 292,681,857	\$ 64,529,776

Attachments: Redline of Revised Reserve Policy

MOULTON NIGUEL WATER DISTRICT
RESERVE POLICY

PURPOSE

This policy establishes the level of reserves necessary for maintaining the District's credit worthiness and for adequately providing for:

- Funding infrastructure replacement and refurbishment ~~and new infrastructure~~
- Economic uncertainties, extraordinary costs, and other financial impacts
- Loss of significant revenue sources such as property tax receipts or connection fees
- Local disasters or catastrophic events
- Losses not covered by insurance
- Future debt or capital obligations
- Cash flow requirements
- ~~Unfunded mandates including costly regulatory requirements~~
- ~~Contractual obligations~~
- ~~Credit market disruptions~~

POLICY

A. GENERAL RESERVES

1. General Operating ReservesReserve
 _____The General Operating ~~ReservesReserve~~ will provide liquidity for funding _____day-to-day operating expenses. The ~~minimum amount of~~ General _____Operating ~~ReservesReserve~~ will ~~equal three months~~support the District's cash flow needs during normal operations. There is often a delay between the receipt of revenues and the payment of operating expenses. _____The maximum and it is prudent financial planning to set up a reserve to mitigate or eliminate the risk of monthly shortfalls. The target amount of General Operating ~~ReservesReserve~~ will equal _____~~twelve~~four months of operating expenses. ~~The General Operating _____ Reserves will be maintained in the District's General Fund allowing for both monthly and bi-monthly cash flow fluctuations.~~

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2. Self-Insurance ReservesReserve
 _____Self-insurance ~~ReservesReserve~~ will fund property and liability insurance _____deductibles, losses exceeding insurance limits, and unemployment _____claims. The ~~minimum~~target amount of Self-Insurance ~~ReservesReserve~~ will _____equal five times the current JPIA property insurance deductible _____ (current deductible is up to \$50,000) ~~and the maximum~~

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amount of _____ Self-insurance Reserves will equal
twelve times the current JPJA _____ property insurance
deductible.). The Self-Insurance ~~Reserves~~ Reserve will be _____
_____ maintained in the District's General Fund.

3. **Rate Stabilization Reserves** Reserve
_____ To Since one of the biggest risks and impacts on rates
would be a loss of property tax revenues, to avoid large fluctuations
in customer water and sewer rates, the _____ District will
accumulate fund a Rate Stabilization ~~Reserves~~ Reserve to provide
for _____ losses of revenue, significant increases in
water purchase costs, _____ and other extraordinary
financial impacts to revenues and _____
_____ expenses. The District will maintain a Reserve equal to fifty
_____ percent of maximum annual debt service. The
The target amount of Rate Stabilization _____
_____ Reserves Reserve will be set equal to fifty percent of the
District's 1% ad valorem property tax revenue. The Rate
Stabilization Reserve will be maintained in the Rate Stabilization
Fund.

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B. **CAPITAL IMPROVEMENT RESERVES**

_____ The Replacement and Refurbishment -(R&R) ~~Reserves, the~~
Planning Reserve and _____ Construction Reserves and the Water Supply
Reliability Reserves the Emergency Reserve will _____ constitute the
District's Capital Reserves. Key objectives for -accumulating _____ these
Reserves are to fund projects identified in the Long Range Financial Plan
_____ and the Ten-Year Financial Plan and, to reduce the volatility of
water and sewer rate increases and to quickly repair critical assets in the
event of a natural disaster or facility failure.

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1. **Replacement and Refurbishment Reserves**
(R&R Reserves) Reserve
The R&R Reserve will fund the replacement and refurbishment of _____
_____ existing assets in conjunction with the District's Asset
Management _____ Plan. The minimum target's
amount of R&R ~~Reserves~~ Reserve will equal five _____
_____ percent of the total annual average of the ten-year expected
capital spending on _____ R&R Projects. R&R
projects as outlined in the District's 10-year Capital Improvement
Plan. All amounts will be maintained in a separate R&R _____
Fund.

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3. _____ 2. **Planning and Construction Reserves**

Planning and Construction (P&C) Reserves will fund new infrastructure projects other than the Water Supply Reliability (WSR) projects. These reserves are an integral part of the District's capital plan documented in its Long-Range Plan and its Ten-Year Financial Plan. The minimum **Emergency Reserve** The Emergency Reserve will provide funds to enable the District to quickly repair critical assets in the event of a natural disaster or facility failure. The target amount of **Planning and Construction Reserves** the Emergency Reserve will equal five percent of the total ten-year expected capital spending. All amounts will be maintained in a separate P&C Fund.

~~2%~~ **3. Water Supply Reliability Reserves**

Water Supply Reliability (WSR) Reserves will fund projects such as reservoirs and interties that will increase the number of days the District can serve its customers upon a planned or unplanned interruption in service from Municipal Water District of Orange County as supplied by Metropolitan Water District of Southern California. The minimum amount of the WSR Reserves will be five percent historic costs of the total ten-year expected capital spending for WSR projects. District's assets, as outlined in current guidelines from the Federal Emergency Management Agency (FEMA). All amounts will be maintained in a separate **WSR Emergency** Fund.

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4. Capital Reserve Maximum Reserve Level

The maximum sum of all monies in the Capital Reserves will not exceed the projected amount of the Capital Projects on a 10-year basis.

C. DEBT SERVICE RESERVES RESERVE

1. Debt Service Reserves Reserve

The District will provide fund Debt Service Reserves, which are held in trust with a third party trustee as provided for in each debt agreement. bond covenants. Increases and decreases to these reserves will be as provided for in the various legal agreements associated consistent with the debt issuance. bond covenants. The District's accounting records show these amounts in various debt funds.

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D. PROCEDURE FOR USING RESERVE FUNDS

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1. General Operating, and Self-Insurance Reserves
 General Operating, and Self-Insurance Reserves can be used at any time to meet cash flow requirements of District operations. Authority to use the funds will be consistent with the District's Administrative Purchasing Policy Manual.

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2.2. Rate Stabilization Reserve
 The Rate Stabilization Reserve can be used at any time to meet cash flow requirements of District operations. The use of the Rate Stabilization Reserve will require Board authorization.

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3. Replacement and Refurbishment, Planning and Construction, and Water Supply Reliability (Capital) Emergency Reserves
 The Board of Directors will authorize use of Capital Improvement Reserves the Replacement and Refurbishment Reserve during the budget process. Capital Improvement Reserves are The Emergency Reserve is also available for unplanned (unbudgeted) capital replacement, and emergency expenditures in the event of a natural disaster or facility failure. When appropriate, the Board may adopt Reimbursement Resolutions as necessary to advance reserves prior to obtaining external capital financing. Authorization for the use of Capital Improvement Reserves for unplanned capital replacement will be consistent with the District's Administrative Purchasing Policy Manual.

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3. E. PROCEDURE FOR REPLENISHING RESERVE FUNDS

1. General Operating, Self-Insurance and Rate Stabilization Fund Reserves

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The Director of Finance/Treasurer is authorized to use rate stabilization funds to supplement operating revenue when one or more of the following occur:

- Total revenue is projected to be five percent or more below than the annual budget
- Total expense is projected to be five percent or more above the annual budget
- Developing the budget to avoid large fluctuations in customer water and sewer rates as directed by the Board of Directors
- Amounts are needed to meet the net revenue debt service covenants goals as specified in the District's Capital

~~Financing Policy (attached)~~

- ~~• Amounts are needed to meet the additional bond test for the issuance of new debt as directed by the Board of Directors~~

~~• General Reserves are replenished from the District's revenues with the General Operating and Self-Insurance Reserves taking precedence to the Rate Stabilization Reserve. General Operating and Self Insurance Reserves will be replenished by the end of each fiscal year. The Rate Stabilization Reserve will be replenished as soon as possible with replenishment to commence within 12 months of any Rate Stabilization Reserve draw to bringing the reserve in line with targets.~~

2. Replacement and Refurbishment, and Emergency (Capital) Reserves

~~The R&R Reserve is replenished at year end from net operating revenues. The Emergency Reserve is replenished from the District's revenue as quickly as possible after an emergency outside of the budgeting process. The District's General Manager or Director of Finance/Treasurer will do a full review of the District's Long Range Financial Plan and cash flow models to determine if corrective actions are needed to replenish the funds in the event of a draw on the Emergency Reserve.~~

F. PROCEDURE FOR MONITORING RESERVE LEVELS

The ~~General Manager or~~ Director of Finance/Treasurer will submit a reserve analysis to the Board of Directors upon the occurrence of the following events:

- ~~• Board of Directors' deliberation~~consideration of the annual budget;
- ~~• Board of Directors' deliberation~~consideration of a water and sewer rate increase; and
- ~~• When a major change in conditions threatens the reserve levels established within this Policy.~~

~~_____~~If the analysis indicates projected or actual individual reserve levels ~~falling would fall~~ 10% ~~_____ or more~~ below ~~or above~~ the target levels outlined in this Policy, at least one of the ~~_____~~ following actions shall be included with the analysis:

- ~~• An explanation of why the reserve levels are not at the targeted level;~~ and/ or
- ~~• A course of action~~Actions needed to bring reserve levels within the ~~minimum and _____ maximum~~target levels prescribed.

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In addition, the district will utilize the internal Long Range Financial Plan and 10 year and monthly cash flow models to determine forecasted reserve target shortfalls and report on needed corrective actions.

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MOULTON NIGUEL WATER DISTRICT
Summary of Financial Results

Results of operations for the twelve months ended June 30, 2014 as compared to the twelve months ended June 30, 2013 are summarized below. It is important to recognize that the unaudited statements presented below do not contain all of the year-end entries and adjustments that are needed to close the fiscal year. The year-end process takes approximately 2 months to complete. The results are also subject to audit review which will begin in earnest in September. Therefore, actual audited financial statements will differ from what is presented here. Closing the fiscal year is a more lengthy time consuming process than a regular month end close, and not all closing entries have been completed as of the date of this report.

Summary Budget Comparison Report

The Summary Budget Comparison Report is a high level statement of the operating activities of the District over the past twelve months compared to the budget. The report includes total revenues and expenses, as well as line item revenues and expenses for the General Fund and the Water Efficiency Fund. As shown in the summary report, operating revenues were approximately \$53.2 million, or 101% of the \$52.6 million budget. Operating expenses were \$61.1 million, or 96% of the \$63.7 million budget. Expenses are lower than budget due to fewer rebates being issued in the Water Efficiency Fund.

Non-operating revenues are higher than budget. Investment income is above budget due to an unrealized gain in investments of approximately \$937,000, and miscellaneous Non-Operating Income exceeding budget by \$ 87,000 due to cell site revenue and disposal of District assets.

Comparison of commitments to budget for individual line items of note include:

1. Recycled Water Sales at 110% of budget due to a large increase in sales in June.
2. Employee Relations 118% of budget due to the posting and advertisement of numerous vacant positions throughout the year.
3. Insurance-Personnel 118% of budget for the General Fund, and 170% of budget for the Water Efficiency Fund due to increases in workers compensation and medicare cost resulting from filling vacant positions.
4. Special Outside Assessments is 127% of budget because of LAFCo fee increases.

Statement of Net Position

The Statement of Net Position shows the District's assets and liabilities as of June 30, 2014 compared to the balances at fiscal year ended June 30, 2013. Overall, assets were about \$4.2 million lower than at June 30, 2013, primarily due to a reduction in net capital assets. This reduction was due to depreciation of assets in the current fiscal year. The long-term receivable from AMP of approximately \$ 655,000 was relieved in 2014. Construction In Progress shows an increase of \$10.8 million as of this date, but by the time of closing will be lower as completed capital projects are closed out. Closed projects will be moved to Capital Assets. Liabilities

#10.a.

MOULTON NIGUEL WATER DISTRICT Summary of Financial Results

decreased by approximately \$16.2 million, reflecting reductions in outstanding debt and accounts payable. As a result, the District's net position increased by approximately \$10.0 million for the fiscal year ending June 30, 2014.

Revenues

Total revenues for the fiscal year ended June 30, 2014 were \$88.4 million, an increase of approximately \$4 million from 2013 due to increased Investment Income and Property Tax Revenue. Total Operating Revenues for the fiscal year ended June 30, 2014 were \$53.2 million, virtually unchanged from 2013.

Expenses

Total expenses for the twelve months ended June 30, 2014 were \$78.8 million, an increase of \$2.3 million or 3% as compared to \$76.5 million in 2013. Total operating expenses are virtually unchanged from last year, but are expected to increase as the year is closed out. There are several operating expense categories that are expected to increase as the year end close out process progresses. Expense categories likely to be adjusted upward include Water Purchases and Member Agencies O&M. Professional Services Expense has increased by approximately \$317,000 due to work performed during the year by PFM, CDM, MWH, and Entelitech. Other operating expenses for the twelve months ended June 30, 2014 were \$16.2 million, an increase of \$1.6 million or 10.7% compared to \$14.6 million in 2013. The increase was mainly due to a one-time depreciation adjustment in the prior year. Other non-operating expenses for the twelve months ended June 30, 2014 totaled \$6.8 million, an increase of approximately \$928,000 or 15.8% compared to \$5.9 million in 2013.

Capital Contributions

Capital Contributions increased in 2014 reflecting the improving economy. Major contributions include \$136,000 for Crown Cabot Apartments in District 1, \$307,000 for Andalucia Apartments in District 3, and \$32,000 for the Homewood Suites in District 6.

Restricted Cash and Investments with Fiscal Agent

Restricted cash includes funds held by the trustee. The use of these funds is restricted by law or bond covenants. Funds in these accounts were about \$22.4 million at June 30, 2014, compared to \$29.6 million at prior fiscal year ended June 30, 2013. This decrease was mainly due to expenditures from the 2009 COPS Project Fund for Baker Water Treatment Plant project payments.

Unrestricted and Restricted Fund Balances

The unrestricted and restricted fund balances reflect the funds in each of the District's unrestricted and restricted funds that are not held by the Fiscal Agent. The unrestricted fund balances are further broken down by designated and undesignated funds. As shown in the report, the District has six funds that are designated by District policy for specific purposes, including Self Insurance,

**MOULTON NIGUEL WATER DISTRICT
Summary of Financial Results**

Water Efficiency, Replacement and Refurbishment, Water Supply Reliability, Planning and Construction and Rate Stabilization. Total unrestricted funds increased by approximately \$7.9 million since June 30, 2013. Restricted fund balances increased by \$851,000, primarily driven by capital projects.

**Moulton Niguel Water District
Summary - Budget Comparison Report
Twelve Months Ended June 30, 2014**

#10.b.

Description	Approved Budget	Fiscal Year to Date Commitments	% of Commitments to Budget
<u>GENERAL FUND & WATER EFFICIENCY FUND:</u>			
Operating Revenues	\$ 52,611,615	\$ 53,207,511	101%
Operating Expenses	63,740,394	61,059,997	96%
Operating Income (Loss)	(11,128,779)	(7,852,486)	
Non-Operating Revenues (Expenses)	24,491,292	27,224,775	111%
Total Change in Funds	<u>\$ 13,362,513</u>	<u>\$ 19,372,289</u>	
<u>GENERAL FUND:</u>			
Operating Revenues	\$ 48,861,615	\$ 49,580,206	101%
Operating Expenses	61,481,787	59,609,677	97%
Operating Income (Loss)	(12,620,172)	(10,029,471)	
Non-Operating Revenues (Expenses)	24,372,980	27,096,245	111%
Change in General Fund	\$ 11,752,808	\$ 17,066,774	
<u>WATER EFFICIENCY FUND:</u>			
Operating Revenues	\$ 3,750,000	\$ 3,627,305	97%
Operating Expenses	2,258,607	1,450,320	64%
Operating Income (Loss)	1,491,393	2,176,985	
Non-Operating Revenues (Expenses)	118,312	128,530	109%
Change in Water Efficiency Fund	\$ 1,609,705	\$ 2,305,515	

**Moulton Niguel Water District
General Fund - Budget Comparison Report
Twelve Months Ended June 30, 2014**

#10.b.

Description	Approved Budget	Fiscal Year to Date Commitments	% of Commitments to Budget
GENERAL FUND			
<u>Operating Revenues</u>			
Water Sales	\$ 26,950,000	\$ 26,876,498	100%
Recycled Water Sales	4,547,715	5,005,391	110%
Sewer Sales	16,920,000	17,135,445	101%
Other Operating Income	443,900	562,871	127%
Total Operating Revenue	48,861,615	49,580,206	
<u>Operating Expenses</u>			
Salaries	8,536,016	8,075,655	95%
PERs Employer Contributions	879,054	890,325	101%
PERs Employee Contributions	201,699	201,401	100%
PERs Other (Side fund, 401A)	210,481	176,331	84%
Educational Courses	47,380	27,180	57%
Travel & Meetings	245,623	185,878	76%
Employee Relations	13,000	15,354	118%
General Services	512,475	469,117	92%
Annual Audit	45,000	31,820	71%
Member Agencies O&M	1,140,100	1,220,043	107%
Dues & Memberships	84,214	90,144	107%
Consulting Services	1,085,974	1,119,833	103%
Equipment Rental	89,300	57,039	64%
District Fuel	346,000	326,214	94%
Insurance - District	585,246	494,731	85%
Insurance - Personnel	320,250	378,715	118%
Insurance - Benefits	2,493,531	2,320,868	93%
Legal Services - Personnel	50,000	6,275	13%
Legal Services - General (See Footnote 1)	169,000	187,643	111%
District Office Supplies	563,300	527,706	94%
District Operating Supplies	244,095	230,761	95%
Repairs & Maintenance - Equipment	1,858,101	498,426	27%
Repairs & Maintenance - Facilities	3,314,624	3,883,902	117%
Safety Program & Compliance Requirements	134,985	159,339	118%
SOCWA	8,702,195	7,835,573	90%
Special Outside Assessments	173,500	220,235	127%
Utilities	1,839,205	2,092,319	114%
Water Purchases	26,790,439	27,088,570	101%
Meter / Vault Purchases	807,000	798,281	99%
Total Operating Expenses	61,481,787	59,609,677	
Operating Income (Loss)	(12,620,172)	(10,029,471)	
<u>Non-Operating Revenues (Expenses)</u>			
Property Tax Revenue	21,327,990	22,523,267	106%
Investment Income	1,347,155	2,744,012	204%
Cellular Lease Income	1,650,085	1,694,478	103%
Misc. Non-Operating Income	47,750	134,488	282%
Total Non-Operating Revenue (Expenses)	24,372,980	27,096,245	
Change in General Fund	\$ 11,752,808	\$ 17,066,774	

Footnote 1: Legal Services includes services provided by Bowie, Arneson, Wiles & Giannone, Downey Brand LLP and Best Best & Krieger LLP.

Moulton Niguel Water District
Water Efficiency Fund - Budget Comparison Report
Twelve Months Ended June 30, 2014

#10.b.

Description	Approved Budget	Fiscal Year to Date Commitments	% of Commitments to Budget
WATER EFFICIENCY FUND			
<u>Operating Revenue</u>			
Water Efficiency	\$ 3,750,000	\$ 3,627,305	97%
Total Operating Revenue	3,750,000	3,627,305	
<u>Operating Expenses</u>			
Salaries	411,903	327,430	79%
PERs Employer Contributions	43,505	32,585	75%
PERs Employee Contributions	11,966	9,675	81%
Educational Courses	500	165	33%
Travel & Meetings	3,800	237	6%
Dues & Memberships	500	-	0%
Consulting Services	20,000	-	0%
Insurance - Personnel	4,064	6,913	170%
Insurance - Benefits	100,369	62,048	62%
District Office Supplies	76,500	250	0%
District Operating Supplies	500	-	0%
Repairs & Maintenance - Equipment	2,000	1,867	93%
Water Efficiency	1,583,000	1,009,150	64%
Total Operating Expenses	2,258,607	1,450,320	
Operating Income (Loss)	1,491,393	2,176,985	
<u>Non-Operating Revenue</u>			
Investment Income	118,312	128,530	109%
Total Non-Operating Revenue	118,312	128,530	
Change in Water Efficiency Fund	\$ 1,609,705	\$ 2,305,515	

MOULTON NIGUEL WATER DISTRICT
STATEMENTS OF NET POSITION

	(Unaudited)	(Audited)
	June 30, 2014	June 30, 2013
CURRENT ASSETS:		
Cash and investments	\$ 33,143,794	\$ 42,016,642
Accounts receivables:		
Water and sanitation charges	5,658,133	6,183,688
Taxes and acreage assessments	355,126	343,115
Other accounts receivable	197,980	433,264
Interest receivable	704,810	763,584
Current portion of AMP receivable	67,493	211,940
Inventory	1,510,514	1,566,239
Prepaid expenses	302,644	260,941
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	41,940,494	51,779,413
	<hr/>	<hr/>
NONCURRENT ASSETS:		
Investments	111,995,607	94,347,786
Restricted cash and investments with fiscal agent	22,445,384	29,574,877
Retrofit loans receivable	629,243	660,023
Net pension asset (CalPERS sidfund payoff)	2,945,897	3,058,960
AMP Receivable	-	654,913
Capital assets, net of accumulated depreciation	348,828,555	363,691,271
Capital assets not being depreciated:		
Land	1,091,910	1,091,910
Construction in progress	17,867,991	7,057,346
	<hr/>	<hr/>
TOTAL NONCURRENT ASSETS	505,804,587	500,137,086
	<hr/>	<hr/>
TOTAL ASSETS	547,745,081	551,916,499
	<hr/>	<hr/>
DEFERRED OUTFLOW OF RESOURCES:		
Deferred Charges on Refunding	(743,653)	1,318,562
	<hr/>	<hr/>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	(743,653)	1,318,562
	<hr/>	<hr/>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 547,001,428	\$ 553,235,061
	<hr/> <hr/>	<hr/> <hr/>

#10.c.

**MOULTON NIGUEL WATER DISTRICT
STATEMENTS OF NET POSITION**

	<u>(Unaudited)</u> <u>June 30, 2014</u>	<u>(Audited)</u> <u>June 30, 2013</u>
CURRENT LIABILITIES:		
Accounts payable	\$ 4,233,174	\$ 9,089,433
Interest payable	2,133,231	2,406,689
Compensated absences	529,919	524,376
Current portion of long-term debt:		
Bonds payable	5,465,000	5,235,000
Loans Payable	1,916,369	2,178,909
Certificates of participation	<u>1,715,000</u>	<u>1,740,000</u>
TOTAL CURRENT LIABILITIES	<u>15,992,694</u>	<u>21,174,407</u>
LONG-TERM LIABILITIES		
Compensated absences	-	174,791
Long-term debt:		
Bonds payable	15,850,000	22,540,000
Loans payable	13,103,542	15,019,911
Certificates of participation	<u>80,080,000</u>	<u>82,325,864</u>
TOTAL LONG-TERM LIABILITIES	<u>109,033,542</u>	<u>120,060,566</u>
TOTAL LIABILITIES	<u>125,026,236</u>	<u>141,234,973</u>
NET POSITION:		
Net investment in capital assets	276,835,791	275,636,460
Restricted for capital projects and GOB Refunding	9,406,042	8,554,975
Unrestricted	<u>135,733,359</u>	<u>127,808,653</u>
TOTAL NET POSITION	<u>421,975,192</u>	<u>412,000,088</u>
TOTAL LIABILITIES AND NET POSITION	\$ <u><u>547,001,428</u></u>	\$ <u><u>553,235,061</u></u>

Note: Totals may not sum due to rounding

MOULTON NIGUEL WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	(Unaudited)	
	Twelve Months Ended June 30,	
	2014	2013
Operating Revenues:		
Water Sales	\$ 26,876,497	\$ 26,932,654
Recycled Water Sales	5,005,391	4,612,874
Sewer Sales	17,135,445	16,941,327
WBBRS Efficiency Funds	3,627,305	3,700,381
Other Operating Income	562,871	1,035,874
Total Operating Revenues	53,207,511	53,223,111
Non-Operating Revenues:		
Investment Income	2,931,828	(533,131)
Property Tax Revenue	22,523,267	21,859,629
GOB Assessment	6,560,479	6,668,544
Other Non-Operating Revenues	3,149,554	3,183,692
Total Non-Operating Revenues	35,165,128	31,178,734
TOTAL REVENUES	88,372,638	84,401,845
Operating Expenses:		
Water Purchases	24,516,994	25,678,244
Meter Purchases	795,198	713,042
Operating Supply and Maintenance	4,546,909	4,598,646
Salaries and Benefits	9,671,141	9,042,458
Professional Services	873,651	556,750
Member Agencies O&M	918,306	1,074,012
Insurance	3,255,974	3,016,329
SOCWA	7,835,573	8,111,731
Utilities	2,092,319	1,879,491
General, Administrative, and Other	1,352,998	1,327,588
Total Operating Expenses	55,859,061	55,998,291
Other Operating Revenues (Expenses):		
Depreciation and Misc. Operating Revenue	(15,143,868)	(13,472,994)
Water Efficiency	(1,009,150)	(1,120,539)
Total Other Operating Revenues (Expenses)	\$ (16,153,017)	\$ (14,593,533)

#10.c.

MOULTON NIGUEL WATER DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	(Unaudited)	
	Twelve Months Ended June 30,	
	2014	2013
Non Operating (Expenses):		
Interest Expense	\$ (6,433,245)	\$ (5,588,845)
Amortization and Misc. Non-Operating Expense	(381,556)	(297,730)
Total Non Operating (Expenses)	(6,814,802)	(5,886,574)
TOTAL EXPENSES	78,826,880	76,478,398
Capital Contributions:		
Connection Fees	489,346	83,038
Total Capital Contributions	489,346	83,038
CHANGE IN NET POSITION	\$ 10,035,104	\$ 8,006,485
Net Position, Beginning	\$ 411,940,088	\$ 403,933,603
Change in Net Position	10,035,104	8,006,485
Net Position, Ending	\$ 421,975,192	\$ 411,940,088

Note: Totals may not sum due to rounding

**MOULTON NIGUEL WATER DISTRICT
RESTRICTED CASH AND INVESTMENTS WITH FISCAL AGENT
AS OF JUNE 30, 2014**

	Balance		(Unaudited)
	6/30/2013	Net Change	Balance
<u>Restricted Cash and Investments:</u>			
DWR Trust Reserves	\$ 615,709	\$ 6	\$ 615,715
2003 COPS Trust Reserve	2,494,997	19,897	2,514,893
2009 COPS Trust Reserve	6,024,087	8,729	6,032,816
2009 COPS Project Fund	19,543,936	(7,158,354)	12,385,581
2010 COPS Trust Reserves	896,148	115	896,263
2014 Refunding Bonds	-	115	115
Total Restricted Trust Accounts	<u>\$ 29,574,877</u>	<u>\$ (7,129,492)</u>	<u>\$ 22,445,384</u>

Note: Totals may not sum due to rounding

**MOULTON NIGUEL WATER DISTRICT
UNRESTRICTED AND RESTRICTED FUND BALANCES
AS OF JUNE 30, 2014**

	Balance		(Unaudited) Balance
	6/30/2013	Net Change	6/30/2014
<u>Unrestricted Fund Balances:</u>			
Designated for Self Insurance Reserves	\$ 1,289,307	\$ 4,201	\$ 1,293,508
Designated for Water Efficiency (WBBRS)	4,383,762	2,307,383	6,691,145
Designated for Replacement and Refurbishment	16,501,847	7,556,772	24,058,619
Designated for Water Supply Reliability	2,597,710	2,278,701	4,876,411
Designated for Planning and Construction	29,497,500	232,438	29,729,938
Designated for Rate Stabilization	9,627,003	188,533	9,815,536
Unrestricted, undesignated	63,912,366	(4,644,163)	59,268,203
Total Unrestricted Fund Balance	127,809,495	7,923,864	135,733,359
<u>Restricted Fund Balances:</u>			
Restricted 2014 GOB Consolidated Refunding	8,130,612	343,828	8,474,440
Restricted for Capital Facilities (Projects)	424,363	507,240	931,602
Total Restricted Fund Balance	8,554,975	851,067	9,406,042
Total Unrestricted and Restricted Fund Balance	\$ 136,364,470	\$ 8,774,932	\$ 145,139,401

Note: Totals may not sum due to rounding

**MOULTON NIGUEL WATER DISTRICT
SUMMARY OF DISBURSEMENTS
FOR THE MONTH OF JULY 2014**

Summary of Disbursements in July 2014:

General Fund Disbursements		\$	9,139,583
<u>Restricted Fund Disbursements:</u>			
WBBRS Efficiency Fund	\$	168,413	
Replacement & Refurbishment Fund		47,823	
Planning & Construction Fund		30,962	247,198
Total Disbursements for all Funds		\$	9,386,781

Detail of Major Expenditures in June 2014:

1. Municipal Water District of Orange County (MWDOC)			
May Water Purchases AF 2,802.90	\$	2,503,690	
May Capacity Charge		29,362	
May RTS Charges		159,315	
May SCP Operation Surcharge		14,467	\$ 2,706,835
<hr/>			
2. CalPERS			
Prepaid FY 2014-2015			953,102
3. South Coast Water District			
2nd Installment LAFCO Agreement			150,750
4. SOCWA			
Quarterly O&M Budget FY 2014/2015			2,239,198
5. Municipal Water District of Orange County			
Annual Retail Service Connection Charge			552,437

