



**TRABUCO CANYON WATER DISTRICT  
FINANCE/AUDIT COMMITTEE MEETING RECAP | JANUARY 8, 2020**

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**DIRECTORS PRESENT**

Director Don Chadd, Committee Chair  
Director Mike Safranski, Committee Member

**STAFF PRESENT**

Fernando Paludi, General Manager  
Michael Perea, District Secretary  
Karen Warner, Senior Accountant  
Lisa Marie Sangi, Administrative Assistant

**DISTRICT CONSULTANT(S) PRESENT**

Cindy Byerrum, District Treasurer (Platinum Consulting)

**PUBLIC PRESENT**

There were no members of the public present.

**CALL MEETING TO ORDER**

Director Chadd called the January 8, 2020 Finance/Audit Committee Meeting to order at 6:00 P.M.

**VISITOR PARTICIPATION**

No visitor participation was received.

**ORAL COMMUNICATION**

No oral communication was received.

**COMMITTEE MEMBER COMMENTS**

No Committee Member comments were received.

**REPORT FROM THE ASSISTANT GENERAL MANAGER**

Mr. Paludi wished all in attendance a Happy New Year.

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

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The December 11, 2019 Finance/Audit Committee Meeting Recap was presented to the Committee.

**RECOMMENDED ACTION:**

The Committee recommended that the December 11, 2019 Finance/Audit Committee Meeting Recap be forwarded to the Board of Directors (Consent Calendar).

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**ITEM 2: RATIFICATION OF DIRECTORS' FEES AND EXPENSES, TENTATIVE FUTURE MEETINGS/ATTENDANCE ITEMS**

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Mr. Paludi presented this matter for Committee consideration and review.

**RECOMMENDED ACTION:**

The Committee recommended that the Directors' Fees and Expenses for December 2019, and the tentative future meetings be forwarded to the Board of Directors for ratification (Consent Calendar).

**ITEM 3: DISCUSSION CONCERNING TRABUCO CANYON WATER DISTRICT WATER, WASTEWATER, AND NON-DOMESTIC WATER RATES AND CHARGES ANALYSIS**

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Mr. Paludi provided a brief update on this matter, and he reported that District staff was working with Raftelis Financial Consultants (Raftelis) to develop the financial model for the development of the water, wastewater, and non-domestic water rates and charges. Mr. Paludi added that a Special Board Meeting Rate Workshop had been scheduled for January 26, 2020 for a presentation of the work completed to date. Discussion occurred concerning planned capital improvement projects, rate scenario impacts, and rate and charge comparison with neighboring agencies.

**RECOMMENDED ACTION:**

Committee to receive information at the time of Committee Meeting.

**ITEM 4: DISCUSSION CONCERNING IRVINE RANCH WATER DISTRICT BUYOUT PROPOSAL FOR REMAINING EL TORO TRUNK SEWER SYSTEM CAPACITY**

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Mr. Paludi presented this matter for Committee consideration and review, and he mentioned that District staff had met with Irvine Ranch Water District (IRWD) to discuss their proposal to buyout their capacity in the El Toro Trunk Sewer System, including El Toro Sewer Lift Station. Mr. Paludi presented materials provided by IRWD detailing the proposed buyout, and he indicated that District staff was currently reviewing the details of the proposal. Discussion occurred concerning certain terms of the proposal.

**RECOMMENDED ACTION:**

The Committee recommended that the Board of Directors approve the Term Sheet and Buyout Financial Assumptions as proposed by IRWD and direct District staff and General Legal Counsel to draft an agreement in coordination with IRWD to complete the buyout of IRWD's capacity in the El Toro Trunk Sewer System (Action Calendar).

**ITEM 5: TRABUCO CANYON WATER DISTRICT ANNUAL FINANCIAL REPORT (AUDIT) FOR FISCAL YEAR ENDING JUNE 30, 2019**

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Mr. Paludi presented this item for Committee review, and he mentioned that Ms. Byerrum was in attendance to review the audit and answer any questions from the Committee related to the DRAFT Audit (Report). Ms. Byerrum reported that Davis Farr (Auditors) have issued a clean financial report for the District, and she provided a brief overview of the audit of the District's financials for Fiscal Year Ending June 30, 2019. Ms. Byerrum mentioned that the report indicates that a decrease in overall water demand has impacted the District's revenues as reported for the prior year. Discussion occurred concerning property tax revenue impacts as reported in the audit, and certain recommendations made by the Auditors. Ms. Byerrum expressed her gratitude to Ms. Warner for her efforts in assisting the Auditors during their review process.

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**RECOMMENDED ACTION:**

Committee to receive information at the time of Committee Meeting.

**ITEM 6: OTHER MATTERS**

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There were no other matters presented for discussion.

**RECOMMENDED ACTION:**

Committee to receive information at the time of Committee Meeting.

**ITEM 7: FINANCIAL REPORT**

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Mr. Paludi presented the preliminary unaudited financials for November 2019 to the Committee for review and comment. Ms. Byerrum provided a brief review of the following items in the preliminary unaudited financial report:

***STATEMENT OF REVENUES AND EXPENSES***

***Operating Revenue, Residential Water Revenue***

Ms. Byerrum reported that this line item was higher than the prior month due to increased water demands.

***Operating Revenue, Baker Treatment Plant Water Sales***

Ms. Byerrum reported that this line item was higher than the prior month due to increased water sales to the City of San Clemente.

***Net Income Before OPEB, Depreciation & Capital Contributions***

Ms. Byerrum reported that this line item was higher than the prior month due to lower total operating expenses.

**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 January 8, 2020 as presented (Consent Calendar).

**ADJOURNMENT**

Director Chadd adjourned the January 8, 2020 Finance/Audit Committee Meeting at 6:44 PM.