



**TRABUCO CANYON WATER DISTRICT
FINANCE/AUDIT COMMITTEE MEETING RECAP | JANUARY 11, 2023**

DIRECTORS PRESENT

Ed Mandich, Committee Chair
Don Chadd, Committee Chair Alternative

DIRECTORS ABSENT

Glenn Acosta, Committee Member

STAFF PRESENT

Fernando Paludi, General Manager
Michael Perea, Assistant General Manager
Karen Warner, Principal Accountant
Lorrie Lausten, District Engineer

CONSULTANTS PRESENT

Ian Berg, Eide Bailly

PUBLIC PRESENT

None

CALL MEETING TO ORDER

Director Mandich called the January 11, 2023 Finance/Audit Committee Meeting to order at 1:00 p.m.

VISITOR PARTICIPATION

No visitor participation was received.

ORAL COMMUNICATION

No oral communication was received.

COMMITTEE MEMBER COMMENTS

There were no comments received.

REPORT FROM THE ASSISTANT GENERAL MANAGER

Mr. Paludi reported on the following matters:

- A proposed schedule for upcoming special board meeting workshops in February 2023 related to the District's Capital Improvement Program (CIP) and Rate Study.
- A brief project update on the repairs made to the Dove Lake vent pipe.

ITEM 1: FINANCE/AUDIT COMMITTEE MEETING RECAP

Mr. Paludi presented the Finance/Audit Committee Meeting Recap for Committee review in accordance with the agenda. Mr. Perea recommended the clarification of certain language related to the costs for the OC Rescue Mission potable services improvements.

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MOTION: Approve the Finance/Audit Committee Meeting Recap and recommended that the Board receive and file the same as amended (Consent Calendar) – Director Mandich
SECOND: Director Chadd
AYES: Directors Mandich & Chadd
NOES: None
ABSTAIN: None
MOTION PASSED/FAILED: Passed 2-0

ITEM 2: RATIFICATION OF DIRECTORS’ FEES AND EXPENSES, TENTATIVE FUTURE MEETINGS/ATTENDANCE

Mr. Paludi presented the Directors’ Fees and Expenses Report and Tentative Future Meetings/Attendance Report for Committee consideration and review.

MOTION: Recommend the Board of Directors ratify the Directors’ fees and expenses for December 2022 and tentative future meetings/attendance (Action Calendar)– Director Mandich
SECOND: Director Chadd
AYES: Directors Mandich & Chadd
NOES: None
ABSTAIN: None
MOTION PASSED/FAILED: Passed 2-0

ITEM 3: URBAN TRABUCO CANYON WATER DISTRICT FISCAL YEAR 2021-22 ANNUAL COMPREHENSIVE FINANCIAL REPORT

Mr. Paludi provided a brief overview of the District’s Draft Annual Comprehensive Financial Report (ACFR), and he indicated that a comprehensive report would be presented at the Regular Board meeting for Board consideration. Mr. Paludi introduced Mr. Ian Berg to the Committee, and he provided a handout of the Draft ACFR for their review. Mr. Berg delivered a presentation to the Committee on the ACFR findings, and he expressed his appreciation for Ms. Warner’s assistance in preparation of the report. Mr. Berg reported that the District has received a clean, unmodified opinion based on the auditor’s review and findings and that only minor, non-substantive adjustments were made to the final Draft ACFR and Financial Report.

MOTION: Recommend forwarding this matter to the Board of Directors for their consideration (Action Calendar) – Director Mandich
SECOND: Director Chadd
AYES: Directors Mandich & Chadd
NOES: None
ABSTAIN: None
MOTION PASSED/FAILED: Passed 2-0

ITEM 4: OTHER MATTERS

Mr. Perea mentioned that the annual meetings for the Trabuco Canyon Improvement Corporation (TCIC) and Trabuco Canyon Public Financing Authority (TCPFA) and any related materials will be provided at the time of the Regular Board meeting in February.

MOTION: None – Informational item only.

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ITEM 5: FINANCIAL REPORT

Ms. Warner presented the preliminary unaudited financials for November 2022, and she highlighted the following items:

DISTRICT OPERATIONS UNAUDITED

Operating Revenue, Water Commodity Sales

Ms. Warner reported that this line item was higher than budgeted due to the current warmer weather conditions.

Operating Revenue, Reclaimed Water Sales

Ms. Warner reported that water demand for the month was significantly higher than budgeted due to increased system demands.

Operating Expense, Source of Supply

Ms. Warner reported that this line item was higher than budgeted for the year due to the repairs on the Dove Dam Outlet Vent Pipe.

Operating Expense, Recycled & Reclaimed Expenses

Ms. Warner reported that this line item was higher than budgeted for the year due to increased laboratory testing. Mr. Perea added that staff has increased its recycled water sampling frequency to confirm the high quality of the production water.

Total Expenses

Ms. Warner reported that the District's Total Expenses for the year were tracking as budgeted.

DISTRICT CAPITAL FY 2022-23 (UNAUDITED)

Ms. Warner reviewed the capital expenditures to date by project and provided a brief overview of the November costs, including the following:

District Capital, Capital Improvements/Replacements

Orange County Rescue Mission (District Customer)

Ms. Warner reported that these costs were transferred expenses to capital costs related to the relocation and installation of potable water services for the Orange County Rescue Mission property in order to meet the District's standards and specifications.

District Capital, Programs, Pressure Relief Valve Improvements

Director Mandich inquired how this line item has exceeded its annual budget. Mr. Perea indicated that Water Operations has performed more PRV repairs/improvements than originally budgeted due to necessity. The Committee agreed that the repairs/improvements are critical in nature and commended Operations staff on their efforts.

MOTION: Recommend the Board ratify payment of the bills for consideration for January 11, 2023, as presented (Action Calendar) – Director Mandich

SECOND: Director Chadd

AYES: Directors Mandich & Chadd

NOES: None

ABSTAIN: None

MOTION PASSED/FAILED: Passed 2-0

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Discussion occurred concerning the current rate of return on the District's investments in the Local Agency Investment Fund (LAIF) and potential opportunities for alternative investment strategies. Mr. Paludi reported that CSDA has instituted a similar investment JPA called California CLASS, and that staff can present more information on this matter to the Committee if desired.

ADJOURNMENT

Director Mandich adjourned the January 11, 2023 Finance/Audit Committee Meeting at 1:28 p.m.