



FINANCE/AUDIT COMMITTEE MEETING AGENDA
TRABUCO CANYON WATER DISTRICT
32003 DOVE CANYON DRIVE, TRABUCO CANYON, CA
ADMINISTRATION FACILITY, BOARDROOM – APRIL 13, 2023 – 8:00 AM

COMMITTEE MEMBERS

Don Chadd, Committee Chair
Glenn Acosta, Committee Member
Edward Mandich, Committee Member Alternate

DISTRICT STAFF

Fernando Paludi, General Manager
Michael Perea, District Secretary
Cindy Byerrum, District Treasurer
Karen Warner, Principal Accountant

AGENDA NOTE:

Trabuco Canyon Water District will make this Finance/Audit Committee Meeting available by telephone audio as follows:

Telephone Audio: 1 (669) 900-6833 **Access Code:** 969-3001-9067

Persons desiring to monitor the Committee meeting agenda items may download the agenda and documents on the internet at www.tcwd.ca.gov. You may submit public comments by email to the Committee at mperea@tcwd.ca.gov. In order to be part of the record, emailed comments on meeting agenda items must be received by the District, at the referenced e-mail address, not later than 7:00 a.m. (PDT) on the day of the meeting.

CALL MEETING TO ORDER

VISITOR PARTICIPATION

Members of the public wishing to address the Committee regarding a particular item on the agenda are requested to complete a speaker card and submit it to staff. The Committee Chair will call on the visitor following the Committee's discussion about the matter. Committees do not constitute a quorum of the Board of Directors and Committee Members cannot make decisions on matters. The Committee makes recommendations only to the Board of Directors. Members of the public will be given the opportunity to speak to the Committee prior to making a recommendation on the matter. For persons desiring to make verbal comments and utilizing a translator to present their comments into English reasonable time accommodations, consistent with State law, shall be provided. Please limit comments to three minutes.

ORAL COMMUNICATION

Members of the public who wish to make comment on matters not appearing on the agenda are invited to identify themselves and encouraged to make comment at this time. The Committee Chair will call on the visitor following the Committee's discussion about the matter. Committees do not constitute a quorum of the Board of Directors and Committee Members cannot make decision on matters. The Committee makes recommendations only to the Board of Directors. Under the requirements of State Law, Committee Members cannot take action on items not identified on the agenda and will not make decisions on such matters. The Committee Chair may direct District Staff to follow up on issues as may be deemed appropriate. For persons desiring to make verbal comments and utilizing a translator to present their comments into English reasonable time accommodations, consistent with State law, shall be provided. Please limit comments to three minutes.

COMMITTEE MEMBER COMMENTS

REPORT FROM THE GENERAL MANAGER

TRABUCO CANYON WATER DISTRICT
FINANCE/AUDIT COMMITTEE MEETING AGENDA | APRIL 13, 2023

FINANCIAL MATTERS

ITEM 1: FINANCE/AUDIT COMMITTEE MEETING RECAP

RECOMMENDED ACTION:

Approve the following Finance/Audit Committee Meeting Recap(s) and recommend that the Board receive and file the same (Consent Calendar):

1. March 9, 2023

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

RECOMMENDED ACTION:

Recommend the Board of Directors approve the Directors' fees and expenses for March 2023 and tentative future meetings/attendance (Action Calendar).

ITEM 3: MUNICIPAL WATER DISTRICT OF ORANGE COUNTY (MWDOC) PROPOSED FISCAL YEAR 2023/24 BUDGET AND RATES

RECOMMENDED ACTION:

Receive information at the time of the meeting and make recommendation(s) as necessary.

ITEM 4: OTHER MATTERS

RECOMMENDED ACTION:

Hear Other Matters from the General Manager or District Staff.

ITEM 5: FINANCIAL REPORT

A) PRESENTATION OF UNAUDITED FINANCIAL STATEMENTS

RECOMMENDED ACTION:

Recommend that the Board receive and file the preliminary unaudited financial statements for February 2023 (Consent Calendar).

B) BILLS FOR CONSIDERATION

RECOMMENDED ACTION:

Approve and ratify the bills for consideration and warrant register and recommend that the Board ratify payment of the Bills for Consideration for April 13, 2023 as presented (Consent Calendar).

ADJOURNMENT



**TRABUCO CANYON WATER DISTRICT
FINANCE/AUDIT COMMITTEE MEETING AGENDA | APRIL 13, 2023**

AVAILABILITY OF AGENDA MATERIALS

Agenda exhibits and other writings that are disclosable public records distributed to all or a majority of the members of the Trabuco Canyon Water District Finance/Audit Committee in connection with a matter subject to discussion or consideration at an open meeting of the Finance/Audit Committee are available for public inspection at the Trabuco Canyon Water District Administrative Facility, 32003 Dove Canyon Drive, Trabuco Canyon, California (District Administrative Facility) or will be posted online on the District's website located at www.tcwd.ca.gov. If such writings are distributed to members of the Committee less than 72 hours prior to the meeting, they will be available online at www.tcwd.ca.gov at the same time as they are distributed to the Committee, except that, if such writings are distributed immediately prior to or during the meeting, they will be posted online on the District's website located at www.tcwd.ca.gov.

COMPLIANCE WITH THE REQUIREMENTS OF CALIFORNIA GOVERNMENT CODE SECTION 54954.2

In compliance with California law and the Americans with Disabilities Act, if you need special disability-related modifications or accommodations, including auxiliary aids or services in order to participate in the meeting, or if you need the agenda provided in an alternative format, please contact the District Secretary at (949) 858-0277, at least 48 hours in advance of the scheduled Board meeting. Notification at least 48 hours prior to the meeting will assist the District in making reasonable arrangements to accommodate your request. The Board Meeting Room is wheelchair accessible.



TRABUCO CANYON WATER DISTRICT
FINANCE/AUDIT COMMITTEE MEETING | APRIL 13, 2023

FINANCIAL MATTERS

ITEM 1: FINANCE/AUDIT COMMITTEE MEETING RECAP

RECOMMENDED ACTION:

Approve the following Finance/Audit Committee Meeting Recap(s) and recommend that the Board receive and file the same. (Consent Calendar):

1. March 9, 2023

CONTACTS (staff responsible): PALUDI/PEREA



TRABUCO CANYON WATER DISTRICT FINANCE/AUDIT COMMITTEE MEETING RECAP | MARCH 9, 2023

DIRECTORS PRESENT

Don Chadd, Committee Chair
Glenn Acosta, Committee Member

STAFF PRESENT

Fernando Paludi, General Manager
Karen Warner, Principal Accountant
Lisa Marie Sangi, Executive Assistant

STAFF ABSENT

Michael Perea, Assistant General Manager

CONSULTANTS PRESENT

Ian Berg, Eide Bailly

PUBLIC PRESENT

None

CALL MEETING TO ORDER

Director Chadd called the March 9, 2023 Finance/Audit Committee Meeting to order at 1:02 p.m.

VISITOR PARTICIPATION

No visitor participation was received.

ORAL COMMUNICATION

No oral communication was received.

COMMITTEE MEMBER COMMENTS

None

REPORT FROM THE GENERAL MANAGER

Mr. Paludi reported on the following matters:

- Director Dopudja's father has passed away and District staff will provide a flower arrangement in sympathy.
- A Special Board Meeting – Rates Workshop has been tentatively scheduled on Monday, March 20, 2023.
- A handout which detailed the California Cooperative Liquid Assets Securities System (CLASS) was provided to the Committee for consideration and would be discussed under Other Matters.

ITEM 1: FINANCE/AUDIT COMMITTEE MEETING RECAP

Mr. Paludi presented the Finance/Audit Committee Meeting Recap for Committee review in accordance with the agenda. As Director Acosta was not in attendance at the previous meeting, Ms. Sangi concurred with Director Chadd approval of the meeting recap.

**TRABUCO CANYON WATER DISTRICT
FINANCE AUDIT COMMITTEE MEETING RECAP | MARCH 9, 2023**

MOTION: Approve the Finance/Audit Committee Meeting Recap and recommended that the Board receive and file the same as amended (Consent Calendar) – Director Chadd
SECOND: Ms. Sangi
AYES: Directors Chadd & Acosta
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 February 2023 and tentative future meetings/attendance (Action Calendar)– Director Acosta
SECOND: Director Chadd
AYES: Directors Acosta & Chadd
NOES: None
ABSTAIN: None
MOTION PASSED/FAILED: Passed 2-0

ITEM 3: CONSIDERATION OF PROPOSED UPDATED PROCUREMENT GUIDELINES

Mr. Paludi presented this matter for Committee consideration, and he reported that Mr. Perea lead the effort with the assistance of General Counsel to update the District's procurement guidelines. Mr. Paludi reviewed the proposed policy changes, and he provided background information related to the policy development. Discussion occurred concerning the internal review process. The Committee recommended that District staff ensure that the District Treasurer reviews the proposed policy updates prior to Board adoption and consider modifying the General Manager signing authority and notification process.

MOTION: The Committee recommended the Board of Directors adopt the proposed updated Procurement Guidelines updates by Resolution (Action Calendar) – Director Acosta
SECOND: Director Chadd
AYES: Directors Acosta & Chadd
NOES: None
ABSTAIN: None
MOTION PASSED/FAILED: Passed 2-0

ITEM 4: AMENDMENT NO. 1 TO AGREEMENT WITH IB CONSULTING FOR RATE STUDY AND CAPACITY CHARGE UPDATE

Mr. Paludi presented this matter for Committee consideration, and he provided an overview of the proposed additional services from IB Consulting related the additional rate development service costs and the preparation of updated capacity charges which were not included in the original scope of work. Discussion occurred concerning the certain rate component development and cost of service coverage and the potential impacts of the recently approved state legislation related to accessory dwelling units (ADUs).

MOTION: The Committee recommended the Board of Directors authorize the General Manager to execute Amendment No. 1 to Professional Services Agreement with IB Consulting in the amount of \$31,645 for a total not-to-exceed amount of \$139,027 (Action Calendar) – Director Acosta

TRABUCO CANYON WATER DISTRICT
FINANCE AUDIT COMMITTEE MEETING RECAP | MARCH 9, 2023

SECOND: Director Chadd
AYES: Directors Acosta & Chadd
NOES: None
ABSTAIN: None
MOTION PASSED/FAILED: Passed 2-0

ITEM 5: OTHER MATTERS

Mr. Paludi presented a handout on the California Cooperative Liquid Assets Securities System (CLASS) to the Committee for review and consideration. Mr. Berg provided an overview of the CLASS investment strategies in comparison to the District's current investments in the Local Agency Investment Fund (LAIF). Mr. Berg reported that CLASS reports a potential higher interest rate on investment returns, provides the option to create sub-accounts, and meets the District's investment policy safety and liquidity requirements. Discussion occurred concerning the stability of CLASS and use in the region. Mr. Berg commented that CLASS has been existence for over 10 years, and that neighboring agencies have or will be investing in CLASS.

MOTION: The Committee recommended forwarding this information to the Board of Directors (Action Calendar).

ITEM 6: FINANCIAL REPORT

Ms. Warner presented the preliminary unaudited financials for January 2023, and she highlighted the following items:

DISTRICT OPERATIONS UNAUDITED

Operating Revenue, Water Commodity Sales

Ms. Warner reported that this line item was trending higher than budgeted due to the impacts of the warmer than normal weather conditions prior to the January rainstorm events.

Operating Revenue, Baker Treatment Plant Water Sales

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

Operating Expense, Source of Supply

Ms. Warner reported that this line item was lower than budgeted for this time of the year.

Operating Expense, Water Related Expenses

Ms. Warner reported that this line item was trending higher than budgeted for the year due to increased electrical and chemical costs for water treatment.

Operating Expense, Recycled & Reclaimed Expenses

Ms. Warner reported that this line item was trending lower than budgeted for the year.

Total Operating Expenses

Ms. Warner reported that the District's Total Operating Expenses for the year was trending slightly higher than budgeted.

**TRABUCO CANYON WATER DISTRICT
FINANCE AUDIT COMMITTEE MEETING RECAP | MARCH 9, 2023**

DISTRICT CAPITAL FY 2022-23 (UNAUDITED)

Ms. Warner reviewed the capital expenditures to date by project and provided a brief overview of the costs for January 2023.

Discussion occurred concerning the status of the starting the Trabuco Creek Groundwater Treatment Facility.

Mr. Paludi provided a brief status update on the Dimension Water Treatment Plant (DWTP) trailer project, and he reported that District staff expects bids from qualified contractors the following month. Mr. Paludi added that majority of the project costs will be expended in Fiscal Year 2023/24.

MOTION: Recommend the Board ratify payment of the bills for consideration for March 9, 2023, as presented (Action Calendar) – Director Acosta
SECOND: Director Chadd
AYES: Directors Acosta & Chadd
NOES: None
ABSTAIN: None
MOTION PASSED/FAILED: Passed 2-0

ADJOURNMENT

Director Chadd adjourned the March 9, 2023 Finance/Audit Committee Meeting at 1:48 p.m.

**TRABUCO CANYON WATER DISTRICT
FINANCE/AUDIT COMMITTEE MEETING | APRIL 13, 2023**

FINANCIAL MATTERS

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

Directors' Fees and Expenses

Consistent with Board policy, Directors are reimbursed for expenses incurred while serving in their capacity as Directors. Additionally, Directors earn a per diem stipend for attendance at meetings or functions in their Director capacity. The attached spreadsheet provides a recap of the meetings, seminars, and/or conferences attended by Directors including direct reimbursables paid to each Director.

Future Meetings

Future meetings are identified for reference and designated directors are anticipated to attend. In the event an unanticipated meeting occurs that requires attendance by a director, the meeting attendance will be subsequently presented to the Board of Directors for ratification.

FUNDING SOURCE:

General Fund

FISCAL IMPACT (PROJECT BUDGET)

FY 2022/2023 Budgeted Board Expenses: \$43,000

RECOMMENDED ACTION:

Recommend that the Board ratify the Directors' fees and expenses for March 2023 and tentative future meetings/attendance. (Action Calendar)

EXHIBIT(S):

1. Directors' Fees and Expenses Report for March 2023
2. Directors' Tentative Future Meetings/Attendance – Calendar Year 2023.

CONTACTS (staff responsible): PALUDI/PEREA

TRABUCO CANYON WATER DISTRICT
DIRECTORS' FEES AND EXPENSES MONTHLY REPORT | MARCH 2023

MEETING DESCRIPTION	ACOSTA	CHADD	DOPUDJA	MANDICH	SAFRANSKI
DISTRICT MEETINGS					
Engineering/Operational Committee Meeting			03/01/23		03/01/23
District Properties Committee Meeting			03/06/23	03/06/23	
Finance/Audit Committee Meeting	03/09/23	03/09/23			
Individual Meeting with General Manager	03/14/23	03/15/23		03/13/23	03/14/23
Regular Board Meeting	03/16/23	03/16/23	03/16/23	03/16/23	03/16/23
Special Board Meeting	03/28/23	03/28/23	03/28/23	03/28/23	03/28/23
REPRESENTATIVE MEETINGS					
Community Association of Rancho (CAR)		03/07/23			
City of Rancho Santa Margarita Council Meeting				03/22/23	03/08/23
City of Rancho Santa Margarita Planning Commission	03/01/23				
Independent Special Districts of Orange County (ISDOC) Monthly Meeting				03/07/23	
Independent Special Districts of Orange County (ISDOC) Quarterly Meeting					
OC LAFCO Regular Commission Meeting					
MWDOC Board Meeting	03/15/23				
Santiago Aqueduct Commission Meeting		03/16/23			
South Orange County Wastewater Authority (SOCWA) Regular Board Meeting			03/02/23		
South Orange County Agencies Group					03/23/23
Quarterly - South Orange County Integrated Regional Watershed Management Executive Committee				03/09/23	
Water Advisory Commission of Orange County (WACO)	03/03/23				
NUMBER OF MEETINGS ATTENDED	7	5	5	7	6
FEES (\$125 per each meeting*)	\$875.00	\$625.00	\$625.00	\$875.00	\$750.00
DIRECT REIMBURSABLE EXPENSES					
DIRECT REIMBURSABLE EXPENSES TOTALS	\$0.00				
INDIRECT REIMBURSABLE EXPENSES					
INDIRECT REIMBURSABLE EXPENSES TOTALS					
TOTAL	\$875.00	\$625.00	\$625.00	\$875.00	\$750.00
<i>* Maximum per diem per day is one; maximum per diems per month is 10</i>					

DIRECTOR SIGNATURE

TRABUCO CANYON WATER DISTRICT | 2023 PUBLIC MEETING AND CONFERENCE CALENDAR

2023													
LINE ITEM	MEETING DESCRIPTION	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
DISTRICT PUBLIC MEETINGS													
1	Executive Committee Meeting	01/03/23	02/06/23	03/06/23	04/03/23	05/01/23	06/05/23	07/03/23	08/07/23	09/05/23	10/02/23	11/06/23	12/04/23
2	Engineering/Operational Committee Meeting	01/04/23	02/01/23	03/01/23	04/05/23	05/03/23	06/07/23	07/05/23	08/02/23	09/06/23	10/04/23	11/01/23	12/06/23
3	Finance/Audit Committee Meeting	01/11/23	02/08/23	38//2023	04/12/23	05/10/23	06/14/23	07/14/23	08/09/23	09/13/23	10/11/23	11/08/23	12/13/23
4	Regular Board Meeting	01/19/23	02/16/23	03/16/23	04/20/23	05/18/23	06/15/23	07/20/23	08/17/23	09/21/23	10/19/23	11/16/23	12/21/23
5	District Properties Ad Hoc Committee Meeting	-	-	-	-	-	-	-	-	-	-	-	-
PUBLIC MEETINGS													
6	City of RSM City Council Meeting - Meeting No. 1	01/11/23	02/08/23	03/08/23	04/12/23	05/10/23	06/14/23	07/12/23	08/09/23	09/13/23	10/11/23	11/15/23	12/13/23
7	City of RSM City Council Meeting - Meeting No. 2	01/25/23	02/22/23	03/22/23	04/26/23	05/24/23	06/28/23	07/26/23	08/23/23	09/27/23	10/25/23	11/29/23	12/27/23
8	City of RSM Planning Commission Meeting	01/04/23	02/01/23	03/01/23	04/05/23	05/03/23	06/07/23	07/05/23	08/02/23	09/06/23	10/04/23	11/01/23	12/06/23
9	Independent Special Districts of Orange County Meeting - Executive	01/03/23	02/07/23	03/07/23	04/04/23	05/02/23	06/06/23	07/04/23	08/01/23	09/05/23	10/02/23	11/07/23	12/05/23
10	Independent Special Districts of Orange County Meeting - Quarterly	01/26/23	-	-	04/27/23	-	-	07/27/23	-	-	10/26/23	-	-
11	Orange County Local Agency Formation Commission (OC LAFCO)	01/11/23	02/08/23	03/08/23	04/12/23	05/10/23	06/14/23	07/12/23	08/09/23	09/13/23	10/11/23	11/08/23	12/13/23
12	Municipal Water District of Orange County (MWDOC) Board Meeting	01/18/23	02/15/23	03/15/23	04/19/23	05/17/23	06/21/23	07/19/23	08/16/23	09/20/23	10/18/23	11/15/23	12/20/23
13	Santiago Aqueduct Commission Meeting	-	-	03/16/23	-	-	06/15/23	-	-	09/21/23	-	-	12/21/23
14	Quarterly South Orange County Integrated Regional Watershed Management Executive Committee	-	-	03/02/23	-	05/04/23	-	-	08/03/23	-	-	11/02/23	-
15	Monthly South Orange County Integrated Regional Watershed Management Executive Committee	01/26/23	02/23/23	03/23/23	04/27/23	05/25/23	06/22/23	07/27/23	08/24/23	09/28/23	10/26/23	11/23/23	12/28/23
16	South Orange County Water Agencies Group Meeting*	01/26/23	-	03/23/23	-	05/25/23	-	07/27/23	-	09/28/23	-	11/23/23	-
17	South Orange County Wastewater Authority Regular Board Meeting	01/05/23	02/02/23	03/02/23	04/06/23	05/04/23	06/01/23	07/06/23	08/03/23	09/07/23	10/05/23	11/02/23	12/07/23
18	Water Advisory Committee of Orange County	01/06/23	02/03/23	03/03/23	04/07/23	05/05/23	06/02/23	07/07/23	08/04/23	09/01/23	10/06/23	11/03/23	12/01/23
CONFERENCES													
19	ACWA Spring Conference - Sacramento, CA												
20	ACWA Fall Conference - Indian Wells, CA												
21	CSDA Annual Conference -Monterey, CA								8/28 - 8/31				
22	CSDA GM Leadership Summit - Olympic Valley, CA						6/25 - 6/27						
23	Urban Water Institute (UWI) Annual Conference - Palm Springs, CA		2/22 - 2/24										
24	CSDA SDLA Conference - Napa, CA												
25	Colorado River Water User’s Association (CRWUA) Annual Conference – Las Vegas, NV												12/13 - 12/15

LEGEND

District Observed Holiday - Reschedule Meeting

*4th Tuesday of the Odd Numbered Month

**TRABUCO CANYON WATER DISTRICT
FINANCE/AUDIT COMMITTEE MEETING | APRIL 13, 2023**

FINANCIAL MATTERS

ITEM 3: MUNICIPAL WATER DISTRICT OF ORANGE COUNTY (MWDOC) PROPOSED FISCAL YEAR 2023/24 BUDGET AND RATES

Trabuco Canyon Water District's (District) is a member agency of Municipal Water District of Orange County (MWDOC). MWDOC is currently seeking input to the second draft operating budget for Fiscal Year Ending (FYE) 2024 (included as Exhibit 1). This budget includes the following proposals:

- A proposed increase of \$0.50 to the retail service charge adjusts the retail rate to \$14.25 per retail meter. The impact to the District is approximate 3.5% increase as follows:

Total Meters	Charge/ Meter	Total Charges	% Diff.
4,078	\$ 13.75	\$ 56,073	96.5%
4,078	\$ 0.50	\$ 2,039	3.5%
	\$ 14.25	\$ 58,112	100%

- The groundwater customer charge to OCWD increases by \$33,117 (9.6%) to \$368,501. These charges are calculated under the new rate structure adopted by the MWDOC Board last year.
- A budget total of \$226,009,864 (revenue) including Core & Choice, water sales, outside funding, and WEROC, which is an increase of 13.86% mainly as a result of increased water sales. This estimate incorporates the adopted Metropolitan rates and charges for 2023 & 2024, the credit of Local Resource Program Incentives, Outside Fundings, and Choice Revenue.
- A consolidated general fund budget is \$11,939,584 (revenue) with an increase of \$779,454 (6.5%).
- The total revenue amount for the Core budget is \$9,919,765; an increase of \$517,587 (5.2%) over the current year's budget.
- The proposed draft budget includes a net planned reserves draw of \$542,722, which can be covered by the current years projected contribution on reserves. Due to the Reserve Policy discussions, MWDOC did not move the projected \$437,590 to the Building Reserve.
- The proposed salary contribution pool is at 11.45% of salaries and wages and reflects the rate of inflation (2022 CPI annual average = 7.45%) and merit considerations. COLA (Cost of Living Adjustment) is not provided to the employee. All salary increases are merit based.
- There is an increase in the Part-time Employee staffing level by 1.71 FTE, driven by adding staff and a decrease in Interns in Choice program staffing. A slight decrease in Full-time Employees is due to the number of working hours in the year. Thus, the MWDOC total staffing level is proposed to increase by 0.77 FTE.

The final budget is scheduled for approval by the MWDOC Board of Directors at the April 19, 2023 Regular Board meeting. District staff will present additional information regarding the MWDOC proposed budget and rate structure modifications at the Committee meeting.

FISCAL IMPACT:

The District's share of the MWDOC Core budget for Fiscal Year Ending 2024, as currently proposed in the second draft, is approximately \$58,144.

RECOMMENDED ACTION:

Receive information at the time of the meeting and make recommendation(s) as necessary.



DISCUSSION ITEM

March 8, 2023

TO: Administration & Finance Committee
(Directors Dick, Thomas, Crane)

FROM: Harvey De La Torre, Interim General Manager

Staff Contact: Hilary Chumpitazi

SUBJECT: MWDOC's **SECOND** Draft Budget for Fiscal Year 2023-24

STAFF RECOMMENDATION

Staff recommends the Administration & Finance Committee to review, discuss, and provide comments & direction to staff on MWDOC's **SECOND** draft budget for Fiscal Year (FY) 2023-24 (Fiscal Year Ending 2024', FYE 24).

COMMITTEE RECOMMENDATION

Committee recommends (To be determined at Committee Meeting)

SUMMARY

Pertinent aspects of MWDOC's **SECOND** draft budget for FYE 2024 include:

1. The second draft budget includes a proposed increase of \$0.50 (3.5%) to the retail service charge bringing the retail rate to \$14.25 per retail meter. The groundwater customer charge to OCWD increases by \$23,294 (5.96%) to \$391,100. These charges are calculated under the rate structure methodology adopted by the MWDOC Board in 2021.
2. The second draft has a budget total of \$226,009,864 (revenue) including Core & Choice, water sales, outside funding, and WEROC. This is an increase of 13.86% mainly as a result of increased water sales. This estimate incorporates the adopted Metropolitan rates and charges for 2023 & 2024, the credit of Local Resource Program Incentives, Outside Fundings, and Choice Revenue.
3. The consolidated general fund budget is \$11,939,584 (revenue) with an increase of \$779,454 (6.5%).

Budgeted (Y/N): N/A	Budgeted amount: N/A	Core _X_	Choice __
Action item amount: None	Line item:		
Fiscal Impact (explain if unbudgeted):			

4. The total revenue amount for the Core budget is \$9,919,765; an increase of \$517,587 (5.2%) over the current year's budget.
5. Interest revenues are budgeted at \$319,410, which is a \$173,439 increase (54.2%) to reflect increasing in returns.
6. The proposed draft budget includes a net planned reserves draw of \$542,722, which can be covered by the current years projected contribution on reserves. Due to the Reserve Policy discussions, we did not move the projected \$437,590 to the Building Reserve. The contribution to the Election Reserve will be finalized when we receive the invoice from the last elections. Reserves will be fully funded under the anticipated new Reserve policy.
7. The unfunded CALPERS liability annual payment of \$207,000 is proposed, pending the outcome of the Reserve Policy discussions.
8. The proposed salary contribution pool is at 11.45% of salaries and wages and reflects the rate of inflation (2022 CPI annual average = 7.45%) and merit considerations. COLA (Cost of Living Adjustment) is not provided to the employee. All salary increases are merit based.
9. There is an increase in the Part-time Employee staffing level by 1.71 FTE, driven by adding staff and a decrease in Interns in Choice program staffing. A slight decrease in Full-time Employees is due to the number of working hours in the year. Thus, total staffing level increases by 0.77 FTE.
10. The Building Improvement expenses have slightly increased but are covered by the carryover credit. FYE'24 includes the remodel of the kitchen and breakroom and the removal of the wooden trellis in the atrium (due to termite damage) and roof.
11. The Capital Acquisition expenses decreased.
12. Outside funding for Water Use Efficiency (WUE) from rebates and grants is budgeted at \$13,605,720; an increase of \$5,060,446 over this year's budget.
13. Expenses are increased for the Core Insurance Expense by \$42,976 (23.4%); Professional Fee expenses \$274,850 (23.7%); Memberships by \$45,155 (23.6%). For accounting purposes, \$52,500 was moved from Professional Fees to Miscellaneous Expenses to better allocate expenses.
14. Conference & Travel expenses have return to pre-COVID conditions and in-person meetings are reflected in FYE'24 budget.
15. Similar to last year, the schedule for the budget process impacts the timing of Choice budget elections by Member Agencies. Therefore, the Choice budget estimates in the draft budget should be considered preliminary.

Proposed new key items that are not incorporated in this Second draft budget pending Committee discussion and direction include:

- A. One (1) additional FTE added to the Public Affairs Department
- B. Through an RFP process, hire and manage a consultant that will be made available to member agencies to develop Commercial, Industrial and Institutional Best Management Implementation Plans as required by SB 606 and AB 1668, the new water use efficiency framework. These services will be available as a **Choice service** funded by agencies accessing these services.

- C. "CA Water for All" Public Relations campaign (stems from the Solve the Water Crisis group) through CMUA designed to support the legislation & advocacy (per agency contribution of \$20,000)
- D. Director attending in Water Educational Tours (2) conducted by the Water Foundation of \$3,000 (including travel)

A reminder that memberships outlined in the budget's Exhibit D are approved by the Board with the adoption of the budget. Therefore, such memberships will not be brought to the Board for individual approval. However, any new memberships not included in Exhibit D will need to be brought to the Board for consideration and approval.

Similar to memberships, standard conferences for Board and staff (as those listed in Exhibits E & F) are approved by the Board with adoption of the budget. This approval includes staff travel/attendance for any out of state conferences listed on Exhibits E & F. Subsequent to the budget adoption, any new out of state conferences will be brought to the Board for consideration and approval.

The detailed draft budget is included as Attachment A.

CHANGES FROM THE PRIOR DRAFT TO CURRENT DOCUMENT

This is the second draft budget and there are minimal changes from the prior draft. The total core expenses increase by \$149,741 (1.5%) between the first and second draft budgets. The decision during the February A&F meeting was to add the IT Consultant for \$95,000 and the addition of Membership for CCEEB along with the coordinating conferences. The increase in the core revenue was only \$6,514 with the difference between the changes in expenses and revenue resulting in a slightly larger draw on reserve (\$143,226).

MAJOR YEAR-TO-YEAR CHANGES IN THE CURRENT BUDGET

The year-to-year (Y-T-Y) changes in the Core Operating Expenses are an increase of \$1,023,367 (10.4%). The addition of building and election costs yields a Y-T-Y Core Total Expense increase of \$603,248 (5.8%).

- The largest Core expense is the combined cost categories for Employee, MWDOC Director and MWD Director salaries, wages and benefits with a Y-T-Y increase of \$386,804 (6.4%). These combined expense categories constitute 57.8% of the total core expense budget.
- The other large core expense increases in descending order are Professional Fees (\$274,850), Contribution to Election Reserve (\$80,272); Miscellaneous Expense due to reclass of expenses (\$67,180); Membership (\$45,155); Insurance Expense (\$42,976); Maintenance Expense (\$24,460).
- The Membership/Sponsorship expenses only include items previously approved by the Board of Directors.

Choice Y-T-Y expenses are anticipated to increase by \$261,868 (12.9%) at this early point in the budget process.

DETAILED REPORT

MWDOC's budget process normally includes three versions of the draft budget with the final budget being approved at the April 19, 2023, Board of Directors meeting. This report provides the detail and background of the second draft MWDOC Budget. It should be noted that although staff may list or present new budgetary items, they are **not included** in this budget draft until directed by the A&F Committee. We will incorporate such changes, comments, and suggestion in the next draft budget.

This draft budget presents revenue figures based on the MWDOC current rate structure. It is anticipated that the proposed changes to the rates and charges will also be approved at the April 19th Board meeting.

The FYE'24 MWDOC budget is developed through a transparent and iterative process. Key topics discussed below include:

1. MWDOC Budget Process & Schedule
2. Budget Principles
3. District Reserves
4. Compensation Pool Guidelines
5. Budget Input from Member Agencies
6. Key Priorities & Initiatives for FYE'24
7. Core/Choice Programs
8. Water Rates and Charges

1. MWDOC Budget Process & Schedule

MWDOC's Budget schedule is designed to accommodate the budget and rate schedules of our Member Agencies. Under this schedule, the Year-End Projections and Conceptual Budget were discussed at the January Administration & Finance (A&F) Committee. The first draft budget is presented at the February A&F Committee meeting. The second and third draft budgets are scheduled for the March and April A&F Committee meetings. The final budget is scheduled for approval by the MWDOC Board of Directors at the April 19, 2023, Board meeting.

Similar to last year, the Choice budget elections and commitments will lag behind this proposed schedule and staff will bring back to the Board a revised Final Choice Budget in September or October 2023 to reflect the reconciliations and final program commitments of our Member Agencies. It should be noted that changes in Choice programs do not impact the rates and charges passed in April for Core activities.

The budget schedule is included in Attachment B.

2. MWDOC Budget Principles

Staff continues to utilize the following Budget Principles to develop the draft budget:

- **Principle #1: Budget Investments Align with MWDOC's Priorities & Values**
The Budget should reflect the mission and goals of MWDOC and align proposed activities with the valued benefits of the Board and our stakeholders. The budget process should be transparent and readily facilitate public review

and input.

- **Principle #2: Activities Based on a County-wide Perspective**
MWDOC's service area extends to Orange County's borders and the budgeted activities must comprehensively address issues, needs, and benefits for the entire service area and our regional involvement with the Metropolitan Water District of Southern California (MET).
- **Principle #3: Efficient Program Design & Performance**
The budgeted programs must consider complementary and cooperative designs to maximize benefits from other regional and local water resource programs to maximize value.
- **Principle #4: Full Cost Recovery**
The budget will be developed to support full cost recovery of all expenses via the rates and charges without the unplanned use of reserves.
- **Principle #5: Compliance with Administrative Code**
The proposed budget and budget process should fully comply with applicable sections of the MWDOC Administrative Code.

3. District Reserves

One goal of the budget process is the early identification of the District's Reserve Fund Balance and its impact to the proposed Budget. At this time, the Board is reviewing revisions to the MWDOC's reserve policy, including its funding targets. Once the Board adopts revisions to the MWDOC Reserve Policy and/or provides further direction on the funding targets, staff will reflect such changes in the Budget.

4. Compensation Pool Guidelines

MWDOC's compensation system includes both job classification-specific salary ranges and person-specific salaries. Annual modifications to both are implemented under different but inter-related practices. A common goal of both practices is to maintain competitive and appropriate salaries and benefits within the Southern California market.

Job Classification Salary Ranges.

MWDOC annually adjusts our salary ranges by the local Consumer Price Index (CPI) for the previous calendar year. The 2022 CPI average for the LA/Long Beach/Anaheim area was 7.45%. This is 194% higher than the 2021 number of 3.84%. The CPI of 7.45% falls into MWDOC's high inflation range. Every three years MWDOC contracts for a Comprehensive Baseline Survey that reviews our job classifications with similar agencies and job functions. The last Benchmark Survey was conducted in 2021 and only minor appropriate changes were incorporated in last year's budget. In addition, MWDOC found limited salary range corrections to be necessary, which supported the CPI adjustment process. Therefore, we will continue the CPI-based salary range adjustment for FYE'24.

In 2024, staff plans to conduct a new Comprehensive Baseline Survey to be incorporated into next year's budget.

Employee-Specific Salaries

MWDOC does not provide a Cost-of-Living Adjustment (COLA) for employee salary increases. Rather MWDOC establishes a Compensation Pool that facilitates employee salary increases allocated solely on merit. MWDOC conducts an annual direct labor market survey as part of the budget process and most of the water agencies in the survey have both defined merit and COLA components to their annual salary increases. The functional difference is that while both approaches cover both merit and inflation, other agencies will guarantee a COLA pay increase to all employees, while MWDOC employees are at risk of no salary increase depending upon their performance.

There is an objective comparison as to how well MWDOC's salary system has been performing relative to the market. As noted above, MWDOC's salary ranges have been generally tracking the labor market conditions. In addition, MWDOC salaries have largely maintained a mid-range position with predominately only long-tenured employees bumping up against the range ceiling for their position.

The MWDOC annual survey of approximately 20 water utilities is utilized as a comparison of proposed employee salary increases. As of today, this comparative information is not yet available from the other utilities but will be provided in the April Draft Budget.

MWDOC utilizes a system of CPI based formulas to calculate the proposed Compensation Pool. An analysis of 10-year compensation increases and CPI data was conducted to quantify the past practices that had successfully maintained MWDOC's salaries both competitive and within job classification ranges. The formula uses current inflation percentages but is also apply a merit component to properly align with current market conditions. For example, 0% CPI would calculate as a 0% compensation pool increase and would obviously not reward merit as intended. At the other end of the range, other problems arise. For example, in 1980 the CPI was 13.5% and this would calculate at the unlikely compensation pool of 25% (using the moderate category of CPI x1.85).

The result was a system of four CPI ranges with associated Compensation Pool formulas as summarized below.

COMPENSATION POOL CPI RANGES & FORMULAS		
Category	CPI Range	Formula
Negative	< 0%	2% + (CPI x 0.5)
Low	0% to 2.4%	2% + CPI
Moderate	2.4% to 4.7%	CPI x 1.85
High	> 4.7%	4% + CPI

The 2022 annual CPI was 7.45% for the region which is in the > 4.7% "High inflation" effective range. Applying the 4% + CPI High inflation range formula to the 7.45% CPI yields a compensation pool of 11.45% which was used to calculate the employee salary expense increase in the draft budget.

It should be noted, the Committee directed staff not to provide a Director per diem adjustment in this FYE'24 budget.

5. Budget Input from Member Agencies

In November 2022, MWDOC sent a letter to all of its member agencies informing them of the start of the MWDOC FY 2023-24 Budget Process, and invited their formal participation in the process which can include suggestions of activities and general comments. The FYE'24 draft budget was presented to the member agency managers on February 15, 2023, for feedback and comments. Staff received a request for additional information on the need and responsibilities for the requested (1) FTE for Public Affairs as well as a copy of the scope of work for two additional consultants in the Government Affairs budget. Lastly, there was a comment on the District's compensation pool formula and requested a survey of its member agencies' salary increase before Board adoption.

As of March 3, the District has received two comment letters from OCWD, one specific to the MWDOC Budget and the other focuses on their MET priorities and recommendations. Both are included in Attachment C.

6. Key Priorities & Initiatives for FYE'24

MWDOC's MISSION

To provide reliable, high quality supplies from MWD and other sources
to meet present and future needs,
at an equitable and economical cost and
to promote water use efficiency for all of Orange County

MWDOC was formed in 1951 to serve the majority of Orange County as its MET member agency representative and make imported water available within Orange County. This remains MWDOC's primary purpose. Although this purpose has taken various forms and has evolved over the decades, the emphasis continues to be MET representation and advocacy on behalf of the water agencies, to provide water reliability, and to provide value to the residents and ratepayers in Orange County. All functions included in the annual budget address components of MWDOC's mission.

MWDOC's key priorities and initiatives are discussed for the following major departments and cost centers:

- Reliability Planning & Engineering (Cost Center 21)
- Metropolitan (MET) Issues & Water Policy (Cost Center 23)
- Water Use Efficiency (WUE) (Cost Centers 35, 62 & 70)
- Water Emergency Response (WEROC) (Cost Center 25)
- Communication/Public Affairs (Cost Center 32 & 63)
- Government Affairs Department (Cost Center 31)
- Administration Department (Cost Centers 11, 12, 13, & 19)
- Finance & Information Technology (Cost Centers 41 & 45)

While MWDOC is organized into several functional departments or cost centers, operationally, there is significant internal support and cooperation on the different tasks of our mission. For example, a critical issue like the Delta Conveyance Project will involve

Reliability Planning & Engineering, MET Issues, Government Affairs, Public Affairs, the Board of Directors and Administrative Support.

It should be clear from the following discussion that many of the issues are not addressed in departmental silos but are shared responsibilities under various departments in carrying out MWDOC's overarching mission.

Reliability Planning and Engineering (Cost Center 21)

The Reliability Planning and Engineering (Engineering) Department efforts are varied and aimed at helping MWDOC member agencies navigate and understand the implications of long-term supply and emergency planning as well as the numerous intricacies involved in coordinating with MET to provide imported water (e.g., service connections, metering of water, pipeline operations, water quality, etc.). Engineering Department activities tie directly back to MWDOC's Mission Statement. Engineering activities include:

- Analysis and planning for Orange County water reliability,
- Facility shutdown planning,
- Coordination of operations and maintenance activities and responsibilities of various regional pipelines in Orange County,
- Identification and resolution of water quality issues in the regional distribution system, and
- Developing the ability and protocols to allow for pumping of local water supplies into the East Orange County Feeder #2 pipeline (EOCF#2) should retail agencies wish to pursue this opportunity

The Engineering Department also provides internal support to other MWDOC departments; most notably Administration and WEROC by providing project management for MWDOC's office building and EOC improvements. Support is also provided to MET Issues and Water Policy Department as many MET issues overlap between the two departments in covering MET activities and their implications to MWDOC member agencies.

Areas of overlap with MET Issues and Water Policy Department include:

- Analysis of various reliability improvement projects and MET initiatives including the MET Regional Recycled Water Program (Pure Water Southern California Project),
- MET's Local Resources Program (LRP),
- Water quality issues in the regional distribution system that may impact MWDOC member agencies,
- Additional MET storage planning,
- Emergency use of MET pipelines in circumstances when MET is unable to supply water,
- MET's Water Supply Allocation Plan (WSAP),
- MET System Resiliency Study,
- MET's Integrated Resources Plan (IRP),
- MET Rates and Charges

Some Key Initiatives for Engineering in FYE'24

Supplemental Reliability Analysis of Water Supplies

California is facing significant and rapid changes in water supply availability. Both main imported water sources for MET (the State Water Project, and the Colorado River Aqueduct) are experiencing long-term water availability issues. These situations continue to evolve rapidly as numerous solutions are being pursued on multiple fronts. Periodic supplemental analysis of MET and Orange County's water reliability are anticipated as new information becomes available regarding changing conditions and likelihood of various projects moving, or not moving, forward.

Discussions on which projects MET is likely to move forward will be part of MET's upcoming Integrated Water Resources Plan (IRP) – Implementation Phase. Included in those discussions are multiple uncertainties including:

- Colorado River Water Users response to the Bureau of Reclamation's announcement for the need to reduce an additional 2-4 Million AFY of demand,
- Pure Water Southern California recycling project,
- Sites Reservoir Project,
- Delta Conveyance Project, and potential for a new reservoir to maximize SWP benefits to Metropolitan.

Salinity Control Study for the Colorado River Basin

Water management efforts in the Colorado River Basin are currently focused on future water supplies. A number of changes to water management in the Basin will likely result from the renegotiation of the Colorado River Compact and the Bureau of Reclamation's announcement for the need to reduce an additional 2-4 Million Acre-Feet per year of demand from the Colorado River Basin system. The likely outcomes of these management changes will be less water supplies for urban water users, and changes to the amounts and types of agriculture in the Basin. Currently most of the salinity controls in the Basin are focused on agriculture. Working with Metropolitan, the Colorado River Salinity Control Forum, and Southern California Salinity Coalition; Engineering is recommending initiation of a joint 'Reconnaissance Study' to look at the future of salinity control in the Basin, and to identify the future salinity controls needed for a future with climate change and changed agriculture practices in the Basin.

Emergency Use of East OC Feeder #2

In FY'2022/23 MWDOC worked with MET staff to develop a scope of work that meets MET's and the State's water quality and operating strategy requirements to introduce local water supplies into the MET system consistent with MET Administrative Code 4519 - Emergency Deliveries of Member Agency Water Supplies in Metropolitan's System.

Currently a more detailed technical analysis of the feasibility and likely costs to connect Santa Ana's East Station to East Orange County Feeder #2 is under development by Moulton Niguel Water District. Should MNWD wish to proceed, MWDOC will continue to assist in the development of the necessary protocols and procedures. It is anticipated that this remains a 2-3 year effort.

MET Shutdown Planning

Continue coordination of a number of shutdowns this year including:

- Orange County Feeder
- Diemer
- Second Lower Feeder
- Colorado River Aqueduct

Administration Building Remodel Project

In FYE'23 Engineering provided Project Management support to HR & Administration Department for design services to remodel of the Breakroom/Kitchen and atrium.

- Design is currently in progress with completion of the design phase in June 2023.
- For FYE'24, should the Board approve the remodel, Engineering will provide construction management support for the project.
- Additionally, the Administration Building roof continues to develop new leaks despite repeated repairs to the roof over the past 5 years. Assessments of the condition of the roof are in progress. Should the roof require replacement, Engineering will provide construction management support to bring an item to the Board for consideration of contract award in FYE'24.

Primary WEROC EOC Project

In FYE'23, Engineering provided support to WEROC for completion of the design phase of a new Primary EOC building. Final design and construction cost estimates were completed in January 2023.

Should the Board approve the project, Engineering will provide construction management support for the project.

Hire a Principal Engineer

Fills the currently vacant Engineering position and supports succession planning.

Metropolitan (MET) Issues and Water Policy (Cost Center 23)

The Metropolitan (MET) Issues and Water Policy Department leads the District on Metropolitan issues and policy, as well as water supply and demand program coordination and analysis. Over the years, this department of four full time employees (FTE) has also become the primary clearinghouse on local, regional, state, and federal water policy issues. It ensures all key policy issues are analyzed and thoroughly evaluated for the MWDOC Board of Directors, our MWDOC-MET Delegation and MWDOC's member agencies. As it relates to Metropolitan issues, the Department represents and advocates for Orange County on local resource projects and programs, water costs and rates, regional storage, water supply reliability management, demand management programs, water use efficiency programs, and water policy implementation.

The Department also provides analysis and advocacy for Orange County on water policy issues that extend beyond the scope of Metropolitan. Broader water policy issues covered include the State-wide water conservation regulations, Urban Water Management Plans, Water Shortage Contingency Plans, progress and development of the Delta Conveyance

Project, Colorado River issues, and the development of additional regional and local resource projects, such as Pure Water Southern California.

Department routine functions include:

- Support for the MWDOC-MET Delegation in promoting Orange County objectives;
- To act as the District's liaison for Metropolitan information and water policy issues;
- Collaboration with Metropolitan staff on the development and management of programs and policies;
- Collaboration with other fellow Metropolitan member agencies on Metropolitan water policy issues;
- Support and advocate on behalf of our member agencies for issues such as Local Resources Program (LRP) applications and certifications, shutdown coordination, and Metropolitan water use programs (e.g., Coastal Pumping and Transfer Program);
- Coordination and monitoring of water supply management projects and programs such as replenishment deliveries (e.g., Conjunctive Use Program (CUP) and In-lieu programs) and Metropolitan and MWDOC's Water Supply Allocation Plan for times of drought;
- Coordination and monitoring of Water Supply Allocation Plans;
- Development of countywide water supply and demand projections;
- Development of Water Reliability Studies and Reports (e.g., Urban Water Management Plan and Water Shortage Contingency Plans);
- Assessment and calculation of MWDOC's annual water rates and charges (e.g., Readiness to Serve, Capacity Charge, and Groundwater Service Charge).

In addition, the Department also provides internal support to other departments, such as water policy and water management review on legislative matters, water use efficiency rules and regulations, and public outreach efforts.

The Department also provides critical involvement with WEROC in relation to Metropolitan and MWDOC member agency's emergency planning and operations. The Department plays an essential role at both the WEROC Emergency Operation Center (EOC) and as liaisons at the County's Operational Area (OA) emergency operation center to aid in County water and wastewater representation during a disaster.

Some Key Initiatives for WEROC in FYE'24

Metropolitan's Business Model and Long-Term Financial Planning

As part of the Metropolitan General Manager's Strategic Priorities and direction provided during the 2023 Metropolitan Board Visioning Retreat, Metropolitan will engage in reviewing its Business Model and its Long-Term Financial Plan.

This analysis will include its impacts to Metropolitan's future Rates and Charges as well as assess whether modifications to Metropolitan's rate structure are needed. In addition, there may be Cost of Service Assessment on Metropolitan's Pure Water Southern California full-scale operation and financial configuration.

MWDOC staff goals include:

- Fully engage in this process and evaluate the Business Model or adjustments to future rates and charges may impact MWDOC and our member agencies.

- Ensure Metropolitan considers the predictability of rate requirements, strategies to ensure cost-effectiveness, and how member agencies rely upon Metropolitan financial forecasts to inform their own resource and financial planning.
- Evaluate the development of a policy framework to facilitate the in-lieu “exchange” of water supplies among member agencies from different local projects, such as the Doheny Desalination project.
- Seek input from the MWDOC Board, MWDOC-MET Directors, and member agencies on the development of these efforts.

Metropolitan’s Integrated Resource Planning Implementation Plan (Phase 2)

Following the Metropolitan Board adoption of the 2020 IRP Regional Needs Assessment Report (Phase I), Metropolitan will begin a collaborative IRP implementation phase to identify specific actions informed by the needs assessment findings, and in alignment with the Climate Action Plan. This phase seeks to bring together imported and local supplies, storage, and demand management plans & activities into one strategic approach. It also expects to monitor core supply conditions, drivers of changes (i.e., population growth, water demands, economic conditions, etc.) as well as track the performance of Metropolitan’s policies, actions, and programs through a set of metrics to assess whether future actions need to adapt.

MWDOC staff goals include:

- Ensure the outcome of these Post-IRP Plans promote a balance reliability portfolio of core water supply development, storage enhancement, local supply development and water use efficiency.
- Encourage a clear and efficient implementation strategies to achieve MET’s 2020 IRP reliability goals (For example, clear understandable IRP metrics that guide the Board in policy discussions).
- Seek improvements in water supply reliability for our service area and reinforces our partnership with our member agencies in developing local supplies.
- Seek input from the MWDOC Board, MWDOC-MET Directors, and member agencies on the development of these Post-IRP implementation plans.

Colorado River Issues

With deteriorating Colorado River supply and focused attention on California’s water use, Metropolitan is preparing for potential limitations to its core supplies from both the Colorado River in 2023. As such, Metropolitan is not expecting to divert a full Colorado River Aqueduct. Metropolitan is working to manage its available Colorado River supply and maintain prudent use of Intentionally Created Surplus (ICS).

California and Metropolitan will continue discussions on the Colorado River Lower Basin’s interim guidelines between the Basin states, tribes, Mexico and the federal government to address the necessary reductions in Colorado River water use. As well, Metropolitan will evaluate alternatives to be modeled in the Bureau of Reclamation’s Supplemental Environmental Impact Statement for the inclusion in the Interim Guidelines for operation of lakes Powell and Mead.

MWDOC staff goals are to:

- Monitor Drought Contingency Plan shortage reductions and water saving contributions.
- Monitor and attend key meetings and discussions on the Colorado River issues.
- Advocate for suitable Colorado River salinity control measures and actions
- Encourage and advocate that Metropolitan maintains accessibility and reliability of its core Colorado River supplies, as forecasted in its 2020 IRP.
- Support Metropolitan in maintaining value from its ICS storage during all hydrologic conditions on the Colorado River.

SWP Delta Conveyance & Infrastructure Improvement Activities

Completion of the Environmental work, preferred alignment and Record of Decision (ROD) on the Delta Conveyance Project is in-progress. Following the environmental planning document release in mid-2022, activity will continue of Project development. In addition, Metropolitan is currently engaged with the State and other water agencies in further expansion and investments in surface storage projects and groundwater water banking program along the California Aqueduct. In light of current drought conditions, Metropolitan is providing significant capital improvement investments in the SWP dependent areas of the Metropolitan system for operational flexibility.

MWDOC staff goals are to:

- Financially analyze the cost/benefit of MET's participation in the DCP, as well as its cost impact to MWDOC and the member agencies.
- Encourage Metropolitan's engagement and investment in further access to storage, in particular its involvement with Sites Reservoir.
- Advocate for Metropolitan staff to renegotiate its current storage and banking programs along the SWP to improve its "take" capacity.
- Support the prioritization of improving the operational flexibility of the SWP dependent areas of the Metropolitan system to ensure a balance reliability to all member agencies.

Pure Water Southern California

In partnership with the Sanitation Districts of LA County, Metropolitan is developing Pure Water Southern California that will purify up to 150 MGD of recycled water to be delivered to groundwater basins and industrial sites throughout the west and central part of LA County as well as Orange County; with the potential to be delivered to two Metropolitan treatment Plants (as Direct Potable Reuse, DPR). Prior to full scale Board approval, Metropolitan will conduct a Cost of Service Assessment to analyze the project's cost as well as how it will be configured in its rate structure.

MWDOC staff goals are to:

- Advocated & supported the preparation of environmental documentation and technical studies for the program.
- Ensure the option remains available for Orange County to ultimately receive water from the Pure Water Southern California; either directly or indirectly.
- Evaluate and analyze the project's full-scale operational and financial configuration once it presented to the Metropolitan Board for consideration.

- Support continued financial partnerships of Southern Nevada Water Authority (SNWA) and the Central Arizona Project (CAP) in the program, including a potentially water exchange program.

Metropolitan's Drought Resilience & Planning

As a result of the critically low initial SWP "Table A" allocations, low levels in Lake Mead, and impending payback obligation on both the SWP and Colorado River, Metropolitan must prepare for potential limitations. Metropolitan has begun planning for potential implementation of its Water Supply Allocation Plan (WSAP) as well as has plans to review and update their Water Surplus and Drought Management (WSDM) Plan. WSDM modifications can include the prioritization of "put and take" of MET storage, the location of storage and other water management actions under surplus and drought conditions.

MWDOC staff goals are to:

- Ensure proper signals that result in fair and equitable distribution of water to the Metropolitan service area during times of drought allocation and system constraints.
- Engage in the planning and update process of the WSAP. The WSAP was last updated in 2014.
- Ensure the WSAP maintains equity among Member Agencies, while minimizing impacts to the region
- Engage in the analysis of modification to Metropolitan's WSDM Plan. The WSDM Plan was last updated in 1999.
- Promote a balance distribution of "put and take" supplies to ensure a regional reliability and operational flexibility.

Water Use Efficiency (WUE) Department (Cost Centers 35, 62 & 70)

The Water Use Efficiency Department consists of both Core and Choice budgets and focuses primarily on two programs: Water Use Efficiency Program and Water Loss Control Shared Services Program. Both programs benefit from the Metropolitan Water District of Southern California's Conservation Credits Program; a program that provides financial incentives to member agencies to implement water use efficiency programs. This funding is focused on programs that provide the broadest benefits throughout the service area and enhance developing long-term programs such as water loss control. In light of our current drought situation and new grant awards outside funding for WUE programs is projected to be \$13.6 million for FYE'24. This exceptional increase in funding is associated with rebates (MET + local matching funds), increased DWR and Prop 1, Round 2 grant funding.

Water Use Efficiency

Water Use Efficiency mandates continue to evolve from the 20% by 2020 framework adopted in 2009 to the new efficiency standards-based approach. Providing the technical and policy expertise and program support along with securing funds for water use efficiency efforts is a priority for MWDOC. MWDOC has been providing this function since 1991. In partnership with our member agencies, MWDOC and MET will continue to implement a comprehensive portfolio of water use efficiency programs that include

incentives and educational programs to all customer sectors. Emphasis will be on landscape water saving opportunities as irrigation accounts for more than 50% of urban water use in Orange County. MWDOC will maximize access to Conservation Credits Program funding from MET and grant funding from the California Department of Water Resources (DWR) and US Bureau of Reclamation (BOR).

Some Key Initiatives for Water Use Efficiency in FYE'24

- Staff will continue to provide legislative and regulatory process leadership. California's new Long Term Water Use efficiency framework will require significant research to better understand and inform stakeholders and policy makers as the final standard setting occurs. This research may be focused locally or through partnerships beyond Orange County such as the California Water Efficiency Partnership and Alliance for Water Efficiency. Also, it is anticipated that new legislative proposals will be introduced. Staff will actively work to shape proposals in a way that benefits our member agencies.
- Metropolitan WUE policy development will be a main focus for the department especially in helping to prepare agencies for compliance with new state mandates. Staff will advocate for Program refinements at MET that ensure Orange County program needs are met and continue to evolve.
- Staff will participate in the update or establishment of device, appliance or fixture water use standards contained in the Cal Green Plumbing Code, Public Utilities Commission, and EPA WaterSense Program.
- MWDOC will continue to promote the Water Savings Incentive and Recycled Water Retrofit Programs including the addition of supplemental grant funding whenever available.
- MWDOC will continue to use the Droplet rebate administration platform for both Turf Removal and Spray-to-Drip rebate processing including electronic signatures.
- Staff will provide Landscape Design and Maintenance Assistance for Turf Removal Rebate Program participants.
- Staff will provide leadership for the California Water Efficiency Partnership Board and committees.
- MWDOC will work to secure program funding from outside sources.
- Continue to work with member agencies to obtain irrigated area measurements of dedicated irrigation meters for incorporation into the new water use efficiency standards framework.

Water Loss Control Shared Services

Since 2016, MWDOC has been coordinating a water loss control program for our Member Agencies. This program has moved beyond water loss technical assistance such as audits into shared services activities including meter testing and distribution system leak detection. Orange County is now a state leader in terms of leak detection experience and data. This has allowed MWDOC to provide hard data to state regulatory agencies to influence developing regulations. MWDOC's expertise has also been beneficial in workgroups addressing the numerous water use efficiency legislative and regulatory proposals. Implementation of Water Loss Control Shared Services per the business plan adopted by the Board in December 2018 will continue and expand. These

services will be provided through a combination of Core services currently funded by MWDOC and Choice services funded by participating agencies. Core services that are currently funded by MWDOC include Water Balance Validation, Leak Detection Equipment lending, and state-wide water loss policy monitoring and development. The Choice Shared Services will include Customer Meter Accuracy Testing, Distribution System Leak Detection, Suspected Leak Investigations and Distribution System Pressure Surveys. These Choice services will be provided by the combination of field staff and contracted services.

New for FYE'24

- Through an RFP process, hire and manage a consultant that will be made available to member agencies to develop Commercial, Industrial and Institutional Best Management Implementation Plans as required by SB 606 and AB 1668, the new water use efficiency framework. These services will be available as a Choice service funded by agencies accessing these services.

Looking toward the next 3 – 5 years, staff anticipates continued focus on three main areas. These include Member Agency compliance assistance with the new water use efficiency mandates, implementation of water loss control shared services and technical assistance programs, and legislative and regulatory process leadership.

Water Emergency Response (WEROC) (Cost Center 25)

MWDOC provides the administrative umbrella for the Water Emergency Response Organization of Orange County (WEROC). The services and support provided by WEROC are intended to be an extension of Member Agency staffing in their preparedness efforts, and a resource during emergencies and recovery. WEROC staff works with its member agencies on emergency plans and standard operating procedure development and review; state and federal required trainings for grant eligibility and disaster readiness; disaster exercise development; grant identification and application; and response and recovery coordination.

WEROC also maintains two emergency operation centers, its own response plans, and trained staff. In providing these services, WEROC continues to be a strong leader for regional water and wastewater emergency coordination and response.

The WEROC program continues to move projects forward while supporting water and wastewater agencies. WEROC staff continues to develop and provide the resources, tools, and trainings targeted at enhancing Member Agency preparedness and resilience.

Some Key Initiatives for WEROC in FYE'24

Enhance Response Readiness

Maintain WEROC and OC water and wastewater agencies in a state of readiness to respond to emergency situations. This priority is the foundation to build upon agency resiliency and is on-going. One major component is the implementation of the WEROC Assessment Report action items focusing on key aspects including training, exercises, and updating emergency plans as part of the revision and review schedule in coordination with member agencies.

WEROC Emergency Operation Center Phase 2

Continue to seek funding from other mechanisms such as grants or appropriation requests.

Cyber Security

Implementation and training on the Regional Cyber Security Coordination Annex as part the WEROC EOP.

- Train agencies on the plan
- Conduct one regional workshop/tabletop on the plan specific
- Continue quarterly Cyber Security Working Group meetings

Planning and Operational Procedures

Update and revision of WEROC Hazard or Functional Specific Annexes or Standard Operating Procedures in line with the WEROC Integrated Preparedness Plan and revision schedule.

Finish Development and Implementation of the Logistics Plan

The Logistics Plan will incorporate how personnel, supplies, and equipment are requested, procured, tracked, and supported within the WEROC Organization. This will begin the incorporation of the Regional Fuel Project.

Training & Test Exercises

Maintain the training and test exercise programs to improve the state of readiness, capabilities and resiliency of member agencies by Increase training on basic emergency management.

WEROC Emergency Water Distribution Plan

Finalize and implement Emergency Water Distribution Plan by working with the County, cities and water agencies by region to establish the responsibilities, process and procedures based on outcomes of testing the plan during the May 23 Operational Area Exercise.

WEROC Map Atlas

Update the WEROC Map Atlas. These maps contain critical information for both water and wastewater. Additionally, jurisdiction areas are divided into the Public Safety Power Shutoff Zones. Project will include incorporation of hardcopy and GIS layers. These maps were updated in 2017 and infrastructure and water system oversight in some areas have changed.

Orange County Regional Water and Wastewater Hazard Mitigation Plan

Establish a contract for the update of the Orange County Regional Water and Wastewater Hazard Mitigation Plan. This is a choice contract. The last revision 20 water and wastewater agencies participated in the project. This plan is valid and approved by FEMA until March 2, 2025.

Communication - Public Affairs Department (Cost Centers 32 & 63)

The MWDOC Public Affairs Department's (Department) mission is to promote opportunities and resources that will have a beneficial regional impact, highlight the District's projects and activities, and increase public understanding of important water issues. Although there are several objectives, transparency is paramount.

In the race to post first, accuracy is often compromised or, in some circumstances, abandoned as individuals are forced to consume information. When public confidence in the government is at an all-time low, water providers are under immense pressure to demonstrate their worth, dependability, and relevance. By delivering value to stakeholders across a wider variety of tools and channels to meet them where they are—online, at community events, in schools, on social media, and through a variety of other channels—we can better understand their needs.

The Department continues to elevate the District's profile while fostering credibility and public trust. Thanks to established partnerships and programs that have a long-lasting, significant influence on stakeholders, MWDOC holds a prominent leadership position as the go-to voice for Orange County water issues.

Some Key Initiatives for Public Affairs in FYE'24

Drought: Education, Resources, Campaign, and Calls-to-Action

As drought intensifies and water supply conditions worsen throughout the state, water suppliers are being asked by State officials to offer their customers more information, resources, and support in hopes of extending California's limited water supply voluntarily. *With much of the state experiencing significant precipitation to start the winter, including record rainfall in Orange County, drought messaging becomes much more challenging as the general public has just witnessed months of storms and floods.* Agencies like the Department of Water Resources (DWR) and The Metropolitan Water District of Southern California (Metropolitan) have each invested millions in public outreach campaigns over the last year. However, the campaigns include broad, blanket messages and don't speak specifically to resources or water-saving actions that target individual communities in any given service area. *Working in coordination with MWDOC member agencies through the Public Affairs Workgroup (PAW), the MWDOC Public Affairs (PA) team will launch an "OC Water" branded drought campaign and continue developing, packaging, and distributing reflective, action-oriented outreach materials for every Orange County service area.* The campaign will include plug-and-play collateral like an updated media toolkit with new drought-related messages, outreach materials like social media posts and newsletter articles, and targeted communications tactics to achieve countywide water reduction goals.

Overall, drought will be a primary topic of discussion in presentations, at community and special events, and across all print and electronic media channels. New marketing strategies like media buys and out-of-home advertising will be explored and implemented. Community engagement opportunities and new partnerships will be examined and considered, and real Orange County customers will be interviewed to create engaging video content and news articles.

Media Engagement – Relationships Matter

Drought has brought more media attention to water issues, particularly over the past year. During this time, MWDOC has maintained a strong voice on conservation and reliability and will continue to emphasize these stories in the press. However, the media landscape is changing. Many longtime reporters covering Orange County or environmental issues have retired. *In FY 23-24, MWDOC PA will work to forge new connections and partnerships with journalists that will secure MWDOC's place as a trusted regional voice for water issues. To help accomplish this staff seeks to renew a past membership with The Radio & Television News Directors Association (RTNDA).*

Additionally, story placement has become dramatically pay-to-play. Placing Op-eds in the newspaper has become increasingly difficult, and editorial boards have grown more elusive on environmental issues. Paid advertorials are the only guaranteed way to ensure articles make it to both electronic and traditional print. *An increased budget for drought campaign advertising and digital and traditional media buys will be necessary to achieve the desired reach and results, as mandates for conservation are sure to be amplified.*

The Evolving Orange County Audience

It has become increasingly important in internal and external communications for organizations to prioritize Diversity, Equity, and Inclusion (DE&I) initiatives. In FY 23-24, MWDOC PA will actively participate in various learning opportunities and on a statewide communications task force to effectively incorporate best DE&I communications practices in all outreach efforts.

Orange County is home to a [diverse mix of people](#) from various cultures, backgrounds, and perspectives, and language can significantly impact the quality and intent of our messages. In FY 23-24, educational, marketing, and campaign materials will be translated into multiple languages, and an intentional effort will be made to connect with community partners to grow MWDOC's capacity to engage diverse communities. Inclusive communication across all platforms makes information, education, and resources more accessible for all Orange County community members. This enables them to confidently participate in informed discussions and find programs and resources that contribute to water saving and water stewardship objectives. *To this end, additional reproduction expenses have been budgeted for translated materials.*

Cultivating New and Existing Partnerships

There are countless benefits to forging productive partnerships, and MWDOC PA has been highly effective in securing strategic partners across multiple programs and initiatives. Long-standing partnerships like the Wyland Foundation, California Environmental Literacy Initiative, and Metropolitan, to name a few, have increased access to new audience groups, amplified credibility and reach, bridged the gaps in expertise, resources, and equipment, and unified a community voice. *In FY 23-24, investments in county and statewide partnerships will continue to be a priority. Co-branded campaigns like Streams of Hope will return, and new endeavors, like family engagement workshops, will be employed to involve new and established partners in regional campaigns and strategies like drought and environmental literacy.*

Pocket Park Educational Microsite – Bringing Visitors back to MWDOC.com

In April 2022, MWDOC PA, the Wyland Foundation, and the City of Westminster broke ground on a water-efficient pocket park. Designed by student volunteers from the Saddleback College Department of Horticulture and Landscape Design, the water-smart park incorporates water-saving landscape design techniques and materials that can be easily replicated at homes and businesses across Orange County. *In FY 23-24, MWDOC PA and project partners will launch an educational microsite that drives park visitors to a plethora of resources that live on the MWDOC website, including MWDOC rebates, drought-tolerant plant lists, free landscape designs, and interactive activities for children and families.*

Water Education Initiatives

Choice School Programs: K-12 Water Education

In FY 23-24, MWDOC PA will continue to advance environmental literacy and good water stewardship through the MWDOC K-12 Choice School Programs, guiding students toward a deeper understanding of how personal, community, economic, and civic decisions affect the water resources Orange County depends on. Additionally, MWDOC PA and program contractors will develop and introduce activities that encourage family participation, expanding the potential for critical water education. They will also examine solutions to current challenges like [declining student enrollment statewide](#), ensuring equitable access to programming for alternative and ACCESS schools, and addressing a steady rise in virtual academies.

Water Energy Education Alliance (WEEA or Alliance)

Since assuming leadership of WEEA in 2020, membership has tripled to include over 60 professional organizations, new commanding coalitions have formed across the Alliance, and desperately needed [recruitment materials](#) have been developed and distributed statewide. Additionally, through partnerships with the [Centers of Excellence for Labor Market Research](#) and others, critical industry workforce data has been gathered to help water agencies confidently prepare for the dreaded “Silver Tsunami,” a mass exodus of industry workers who are now eligible for retirement. In FY 23-24, MWDOC PA will continue its momentum, working with community colleges to build and bolster their training programs and to support teacher trainings that enable educators to confidently integrate water topics into lesson plans and encourage water career exploration.

Scouting Programs

Over the coming months, MWDOC PA will return to hosting Girl and Boy Scout clinics in person. *To date, 10 MWDOC member agencies have confirmed their interest in co-hosting both popular programs, a significant increase compared to past years.* In FY 23-24, both programs will be thoroughly vetted and enhanced to best align with education, water use reduction, and community engagement goals established in worsening drought conditions and since the COVID-19 pandemic shutdown.

Ricky the Rambunctious Raindrop

Prior to the COVID-19 triggered lockdowns and quarantines of 2020, MWDOC’s mascot, Ricky the Rambunctious Raindrop (Ricky) was making regular appearances

at member agency events as well as special public events and activities throughout the County. *The Ricky costume is showing signs of wear and will soon need to be repaired, serviced, and eventually replaced. Funds will be allocated to do so.* Additionally, on the other side of the pandemic, requests for Ricky appearances are on an upward trend, and as Ricky always needs a 'prudent companion,' it is becoming increasingly challenging to meet the demand.

It should be noted that *since the departure of one member of the PA team in 2020, the department has been running without one part-time employee, which was authorized by the Board in the previous Fiscal Year.* Rather than recruiting for the departed employee, management opted to promote that part-time employee to fill that critical full-time vacancy. At the time, with no Metropolitan Inspection Trips or in-person special events, this was feasible, and that hire has proven to be successful.

New for FYE'24

MWDOC PA will continue to enhance and expand upon its award-winning programs, initiatives, platforms, and partnerships. Reducing water use and water waste through drought awareness, education, and outreach is a top priority, as is providing high-quality water education and resources to Orange County water users of all ages and backgrounds.

Keeping the momentum moving will require additional time and resources. With Metropolitan Inspection Trips restarting this past fall and the world one more year removed from quarantine, increased requests are coming in for MWDOC participation in community engagement events. More than half of the weekends in the upcoming calendar year will likely have staff working overtime. This approach is not sustainable.

Therefore, at least one full-time employee is needed in the Department to reasonably accommodate these commitments without further overextending the current PA staff.

Governmental Affairs Department (Cost Center 31)

Governmental Affairs (GA) continues to work at the local, state and national levels with our member agencies, regional partners (three cities, Metropolitan, MET Member Agencies), organizations, delegations, regulatory agencies and bureaus to advance Orange County's agenda. Central to this effort are policy, legislative, and regulatory developments & opportunities.

This department will rely on our local, state, and federal advocates to track, monitor, and assist in educational outreach. In addition, our Grants Program continues to be an asset for our member agencies and provide helpful information and tools for them, along with MWDOC to obtain funding for various programs and infrastructure. New member outreach will be critical in 2023 as 34% of the Assembly and 25% of the Senate are brand new to the legislature, including six new members in the Orange County delegation. There are also be five new appointees to the Assembly Water, Parks & Wildlife Committee, as well as other key committees.

Priorities for FYE'24

- Actively engage on issues, legislative and regulatory, that will affect the Delta Conveyance Project
- Actively pursue funding for the WEROC EOC at both the federal and state levels

- Actively engage and advocate for federal funding for the Army Corps of Engineers, the Bureau of Reclamation, the EPA, and WIFIA Programs
- Actively engage on a potential State Infrastructure Bond proposal
- Advocate for changes in the IRS Code to provide tax parity for water rebates
- Monitor and engage on agency actions related to the Colorado River drought and the 2026 guidelines
- Actively engage on anticipated federal drought legislation
- Advocate for cost effective reliability and local resources projects that benefit Orange County
- Engage on regulations implementing the Low Income Rate Assistance, or “LIRA”, program
- Coordinate with the Met Issues Department and NRR on any action/response related to the Voluntary Agreements (VAs). Implementation of the VAs will require an act of Congress to give Reclamation authority to place a surcharge on CVP water to generate funding to implement that habitat and flow requirements in the VAs.
- Outreach efforts with Orange County’s delegation on the federal, state and local level

Some Key Initiatives for Governmental Affairs in FYE’24

Delta Conveyance Project

In the last year, the Newsom Administration has shown renewed interest in the Delta Conveyance Project and even seems to show some enthusiasm for it. The water industry advocates have not yet been called on to advocate for the project as it moves through the regulatory process, but opposition can arise at any time and from more than just the Legislature. GA will continue to monitor activity on the Delta Conveyance in the Capitol and across the relevant state agencies and engage whenever advocacy is needed to support the project.

WEROC Funding

GA, working closely with our advocates at NRR and B&K will pursue funding in the FY24 appropriations process or through FEMA grant programs (federal), and through a possible member’s request via the state budget. This will be challenging due to a budget deficit and cuts, but serious attempts will be pursued.

Low Income Rate Assistance Program (LIRA)

SB 222 (Dodd), which would have created a statewide LIRA program was vetoed, but the reason given in the Governor’s veto message was a lack of an identified funding source. The issue remains politically very popular, and the veto message practically invites running the bill again and funding it with a water tax. Should this proposal return, our efforts to defeat a water tax will be in coordination with member agencies as well as statewide coalitions.

Additional Assistance

With many GA priorities in the near future on the federal, state and local levels, staff is proposing two consultants to assist with strategic guidance on major policy issues as well as local outreach and engagement at LAFCO. GA is proposing:

- An “as needed” time and materials contract with Paul Jones at Doupja & Wells to support and advise the Governmental Affairs Department on federal and state advocacy issues and programs. A short-term contract is already in place for the remainder of FYE 23, and we are proposing to extend this at a cost not to exceed \$60,000 for FY 2023/24.
- Assistance related to local/county issues and opportunities for engagement that may arise including, but not limited to the Board of Supervisors, LAFCO, city councils, special districts, and regional interest groups. A four-month contract with Whittingham Public Affairs is scheduled to begin in March 2023, and GA is proposing to extend this through FY 2023/24 at a cost of \$90,000.

Administration Department (Cost Centers 11, 12, 13, &19)

The Administrative Department is comprised of Board Administration, General Administration, Personnel and Overhead. The Administration Department provides support to the entire District to ensure operations run smoothly and efficiently. Fundamental activities include:

- Staff attendance, preparation and compilation of Board and Committee Agendas and minutes.
- Ensure compliance with the District Administrative Code, Contracts Manual and publication of required legal notices and coordination of all Public Records requests.
- The oversight and maintenance of the Electronic Records Management System for the District; ensure that all required documents are retained in accordance with the retention schedule and legal requirements as well as train staff on policies related to accessing, storing and transmitting electronic records;
- The oversight and maintenance of the District’s Database Management System in an effort to provide a centralized database for staff in improving efficiencies;
- Personnel activities include recruitment, screening, selection, employee orientation, benefits and compensation administration, employee documentation, performance management, research and surveys, employee training and development;
- Oversight of the Safety and Risk Management and the District’s Workers Compensation, Liability and Property Insurance Programs;
- Oversight of all items related to building facilities management.

Some Key Initiatives for Administrative Department in FYE’24

- Coordinate with Director of Engineering and assist with building remodel improvements to kitchen area and removal of existing shade structure/trellis.
- Replace current tile roof. The current roof is the original roof since the mid-1970’s
- In ensuring the District’s compensation and benefits are competitive, staff will complete an RFP process to hire an outside consultant to complete a Benchmark Study. The last study was completed in 2021. The next study will be initiated in fall of 2023 and completed by Spring 2024.
- The District’s 401a and 457 Plans and funds should be reviewed by an outside advisor that can be responsible for the investment selection, monitoring and replacement of investment options. Hiring a qualified Financial Advisor takes the critical fiduciary responsibilities off the shoulders of the Plan Fiduciary (The Board) and allows the Board to delegate the specified fiduciary duties to registered

investment advisors and trust companies. This also ensures the Plans offerings are prudent and reasonably priced. Staff would initiate an RFP process for a Financial Advisor to review and advise on the District's Deferred Compensation and 401 Plans. The Financial Advisor would review the current plans and fees and determine whether it would be in the District's best interest to solicit an RFP for new 457 and 401a Plan providers, assess whether to have both plans under one provider and assist with the process.

- In an effort to assist with the Board Strategic Planning Process, the District will hire a facilitator.

MWDOC Building Improvements

Administration, Engineering, and WEROC staff have worked together to coordinate multiple improvement projects at the MWDOC Administration Building that were completed in December 2021. The remaining areas to be renovated include the Kitchen/lunchroom and the removal of the trellis in the atrium due to termite damage. We anticipate that the work in the courtyard will require California Building Code (CBC) Title 24/ADA compliance since the courtyard is not accessible, thus will require the installation of a ramp. CBC requires that all spaces be accessible to within a maximum 20% of the construction cost of a project. In addition, the last item to be evaluated is the roof. With recent rains, there have been several leaks in the office. Therefore, staff is budgeting funds to repair the roof in FYE'24.

Finance & Information Technology (Cost Centers 41 & 45)

The Finance department includes Accounting and Information Technology (IT). The Department provides support to MWDOC through payroll, accounts payable/receivable, fixed assets, investments, grant funding, reconciliations and technology. Staff provides support to WEROC for disaster recovery at both the District office and the Emergency Operation Center. Finance and IT's priorities are Financial Stewardship and Auditing & Controls, which is demonstrated by receiving an unmodified opinion from our annual audit process. Finance also provides monthly accounting to our Member Agencies through monthly billing of water deliveries, in-lieu credits, LRP payments, conservation rebates and choice programs.

IT provides uninterrupted service for our phones and computers with firewall protection to prevent threats, viruses and hackers from penetrating our system. As well as, providing & maintaining properly working office equipment. Modifications and support are needed to maintain current practices.

Some Key Initiatives for Finance & IT in FYE'24

- Hire a new IT employee
- Staff to assist and provide direction to our IT consultant to evaluate the District's IT needs and efficiency improvements
- Maintain functional operations and support while staff works both remotely and in the office; in addition provide support for the hybrid format of Board and Committee meetings
- Continue with CrowdStrike for cyber intrusion protection
- Continue with IT's PC/Printer refresh program and security updates which, exchanges out equipment after it's useful like to prevent the loss of any data;

- Begin converting desktop PC's to laptops as replacements are needed to save costs in our hybrid environment
- Continue with ongoing professional training;
- IT system security and back up testing;
- Support the District with any future financing needs.

7. Core/Choice Programs for FY 2023-24

As noted above, the Choice Programs for FYE'24 are offered in both the Public Affairs and Water Use Efficiency Departments. The programs include:

- **School Program** - As discussed above the School Program represents a continuum of options from kindergarten through high school. Substantial efforts are underway with Orange County teachers and State organizations to integrate critical water messages within the required curriculum structure with the goal of increasing the utility and acceptance of our programs. Also included are programs focusing on career path recruitment and training.
- **Water Use Efficiency** - Will continue to access MET's WUE funding and grants from other sources for implementation programs for OC.
- **Water Loss Control Shared Services** – This program was developed in conjunction with our Member Agencies and continues significant expansion with increase funding through MET.

8. Water Rates and Charges

MWDOC's revenue funding for its Core Budget derives from the Retail Meter Service Charge and the Groundwater Customer Charge. The rate structure was initially developed as part of the 2016 rate study and was implemented by the MWDOC Board of Directors for FY 2016-17. The rate structure was reevaluated in 2021 with modification to the groundwater customer charge's methodology. This 2021 rate structure is what is used for the FYE'24 budget and rates.

Proposed New Rates

Based on the Proposed Budget and the current rate structure:

- **For FYE'24 the proposed Retail Meter Service Charge is \$14.25 per meter; and**
- **For FYE'24 the proposed Groundwater Customer Charge is \$391,100.**

All other charges cover the cost of water supply including MET water purchases and MET associated charges (i.e., Readiness-to-Serve (RTS) and Capacity Charge). The proposed Total Water Purchases expense for FYE'24 is budgeted at \$199,967,525.

Attachments:

Attachment A - MWDOC detailed Draft Budget for FYE'24

Attachment B - Budget Schedule

Attachment C - Comment Letters

**TRABUCO CANYON WATER DISTRICT
FINANCE/AUDIT COMMITTEE MEETING | APRIL 13, 2023**

EXHIBIT:

1. MWDOC FYE 2024 Second DRAFT Budget – March 8, 2023 Administration & Finance Committee Meeting

CONTACTS (staff responsible): PALUDI/PEREA

TRABUCO CANYON WATER DISTRICT
FINANCE/AUDIT COMMITTEE MEETING | APRIL 13, 2023

FINANCIAL MATTERS
ITEM 4: OTHER MATTERS

RECOMMENDED ACTION:

Hear Other Matters from the General Manager or District Staff.

CONTACTS (staff responsible): PALUDI/PEREA

TRABUCO CANYON WATER DISTRICT
FINANCE/AUDIT COMMITTEE MEETING | APRIL 13, 2023

FINANCIAL MATTERS
ITEM 5: FINANCIAL REPORT

A) PRESENTATION OF PRELIMINARY UNAUDITED FINANCIAL STATEMENTS

RECOMMENDED ACTION:

Recommend that the Board receive and file the preliminary unaudited financial statements for February 2023 (Consent Calendar).

B) BILLS FOR CONSIDERATION

The total of the bills for consideration will be presented at the time of the April 13, 2023 Finance/Audit Committee Meeting.

RECOMMENDED ACTION:

Approve and ratify the bills for consideration and warrant register and recommend that the Board ratify payment of the Bills for Consideration for April 13, 2023 as presented (Consent Calendar).

CONTACTS (staff responsible): PALUDI/PEREA/WARNER



Trabuco Canyon Water District

Budget to Actual

For the period July 1, 2022 through February 28, 2023
(Unaudited)

	February 2023	YTD Actual	FY 23 Adopted Budget	YTD 67%
1 Operating Revenue				
2 Water Commodity Sales	\$ 125,908	\$ 2,674,806	\$ 4,237,600	63%
3 Service Charges - Water	105,330	790,592	1,207,000	66%
4 Service Charges - Sewer	156,604	1,199,106	1,844,900	65%
5 Service Charges - Recycled/Reclaimed	6,551	50,405	84,000	60%
6 Baker Treatment Plant (BTP) Water Sales	92,340	953,674	1,110,000	86%
7 Water Recovery & Emergency Storage Fees	68,914	538,013	612,200	88%
8 Reclaimed Water Sales	863	469,939	771,300	61%
9 Recycled Water Sales	22,515	193,010	227,500	85%
10 Customer Charges	11,834	278,638	318,300	88%
11 Other Operating Revenue	-	-	91,800	0%
12 Standby Charges	-	15,137	46,200	33%
13 Uncollectable Accounts	-	-	(26,400)	0%
14 Total Operating Revenue	590,859	7,163,320	10,524,400	68%
15 Non-Operating Revenue				
16 Property Taxes	4,269	1,268,702	2,140,200	59%
17 Interest Revenue	427	80,743	18,800	429%
18 Other Non-Operating Revenue	4,956	29,627	76,200	39%
19 Total Non-Operating Revenue	9,652	1,379,072	2,235,200	62%
20 Total Revenues	600,511	8,542,392	12,759,600	67%
21 Operating Expense				
22 Source of Supply	142,981	1,698,818	2,822,500	60%
23 Baker Treatment Plant Water for Resale	92,340	835,963	1,022,500	82%
24 Water Related Expenses	72,248	655,328	911,300	72%
25 Sanitation Related Expenses	19,925	214,592	315,200	68%
26 Recycled & Reclaimed Expenses	14,786	125,885	207,900	61%
27 Salaries and Benefits	349,671	2,810,273	4,203,200	67%
28 CalPERS Unfunded Accrued Liability Minimum	-	273,674	290,000	94%
29 General and Administrative	99,959	1,384,724	2,323,100	60%
30 Total Operating Expense	791,910	7,999,257	12,095,700	66%
31 Non-Operating Expense				
32 Debt Service - State Revolving Fund	-	115,191	230,200	50%
33 Debt Service - Credit Line	-	73,306	145,000	51%
34 Total Non-Operating Expense	-	188,496	375,200	50%
35 Total Expenses	791,910	8,187,754	12,470,900	66%
36 Net Income / (Loss) Before Capital & Pension	(191,399)	354,639	288,700	123%
37 Use of District Reserves for Capital Projects	-	-	-	N/A
38 Developer Impact Fees (Restricted)	-	40,795	-	N/A
39 Increase / (Decrease) to Reserves	\$ (191,399)	\$ 395,434	\$ 288,700	137%

**No assurance is provided on these financial statements. Substantially all disclosures required by accounting principles generally accepted in the U.S. are not included.*



Trabuco Canyon Water District

District Capital

FY 2022/23 (Unaudited)

	February 2023	YTD Actual	FY 23 Adopted Budget	YTD 67%
1 Funding Sources				
2 Grant Revenue	\$ -	\$ -	\$ 500,000	0%
3 Bank of the West Credit Line Proceeds	77,451	2,786,316	5,162,000	54%
4 Use of District Reserves for Capital Projects	-	-	-	0%
5 Funding Sources Total	77,451	2,786,316	5,662,000	49%
6 District Capital				
7 Capital Improvements / Replacements				
8 SCADA System Upgrades FY 2122	4,640	103,991	1,210,000	9%
9 AMI/AMR System Implementation (USBR) *	486	1,532,211	1,700,000	90%
10 Golf Club SLS Bypass Construction	8,129	152,286	870,000	18%
11 Dimension Water Treatment Plant (DWTP) Office & Storage	10,160	22,318	300,000	7%
12 Master Plan and Condition Assessment Study	2,120	199,677	250,000	80%
13 Live Oak Pipeline Scoping	-	-	100,000	0%
14 ETRSLs Surge Tank Improvements	-	147,449	250,000	59%
15 Trabuco Creek Water Main Potholing	-	-	20,000	0%
16 Dimension Water Treatment Plant Vault Lids	-	-	50,000	0%
17 ETRSLs Discharge Valve Replacement	-	-	35,000	0%
18 OC Rescue Mission	687	109,276	-	N/A
19 Dove Lake Dam Repair	48,222	182,954	-	N/A
20 Capital Improvements / Replacements Total	26,221	2,267,210	4,785,000	47%
21 Equipment				
22 Chiquita Capital Replacement	-	153,979	178,000	87%
23 Wastewater Treatment Plant Hoffman Blower Building Rehab	-	526	250,000	0%
24 Equipment Trailer	-	-	39,000	0%
25 Wastewater Treatment Plant New Mixers	-	-	150,000	0%
26 Dove Lake Barge/Pump	-	27,946	20,000	140%
27 Domestic Water Turbidimeter Replacement	-	-	15,000	0%
28 Flow Meter - Tick Creek	-	8,908	-	N/A
29 Equipment Total	-	182,450	652,000	28%
30 Programs				
31 Pressure Relief Valve Improvements	3,008	54,458	15,000	363%
32 Valve Replacement Program	-	9,660	45,000	21%
33 Manhole Recoating Program - Sewer	-	-	20,000	0%
34 Pressure Relief Valve Vault Improvements - Reclaimed	-	-	45,000	0%
35 Pump Replacement Program	-	80,676	100,000	81%
36 Programs Total	3,008	144,794	225,000	64%
37 District Capital Total	77,451	2,786,316	5,662,000	49%
38 Net Budget	\$ -	\$ -	\$ -	

*Partially funded by Grant / Loan Proceeds

*No assurance is provided on these financial statements. Substantially all disclosures required by accounting principles generally accepted in the U.S. are not included.



Trabuco Canyon Water District

Balance Sheet

February 28, 2023

(Unaudited)

	February 2023
1 Assets	
2 Cash & Investments	
3 Cash & Investments - Unrestricted	\$ 2,312,586
4 Cash & Investments - Restricted	6,686,196
5 Total Cash & Investments	8,998,783
6 Other Current Assets	
7 Accounts Receivable, Net	1,560,733
8 Prepaid & Other	43,916
9 LAIF - Market Value Adjustment ¹	533
10 Total Other Current Assets	1,604,649
11 Capital Assets	
12 Capital Assets, at Cost	124,666,643
13 Accumulated Depreciation	(79,364,506)
14 Construction in Progress	4,068,606
15 Total Capital Assets	49,370,743
16 Net OPEB Asset	201,692
17 Deferred Outflows of Resources (DOR)	1,473,729
18 Total Assets & DOR	\$ 61,650,129
19 Liabilities	
20 Current Liabilities	
21 Accounts Payable	\$ 948,555
22 Accrued Expenses	174,234
23 Current Portion-Long Term Debt	92,840
24 Deposits on Hand	65,743
25 Total Current Liabilities	1,281,371
26 Long-Term Liabilities	
27 Net Pension Liability	1,597,778
28 State Revolving Fund Loan	1,749,475
29 Bank of the West Loan	10,000,000
30 Total Long Term Liabilities	13,347,253
31 Deferred Inflows of Resources (DIR)	2,448,966
32 Total Liabilities & DIR	17,077,590
33 Net Position	44,572,538
34 Total Liabilities, Net Position & DIR	\$ 61,650,129

¹ LAIF Market Value adjusted annually at June 30th. This balance may be different from the cash and investments report during the year based on updated market conditions.

**No assurance is provided on these financial statements. Substantially all disclosures required by accounting principles generally accepted in the U.S. are not included.*



Trabuco Canyon Water District

Cash Investments Report

February 28, 2023

(Unaudited)

	Type	Cost	Market	% Total
District Cash & Investments				
Unrestricted				
Local Agency Investment Fund (LAIF)	Investment	\$ 1,740,953	\$ 1,708,552	19.3%
Bank of the West	Checking	571,634	571,634	6.5%
Total Unrestricted		2,312,586	2,280,186	25.8%
Restricted				
LAIF - Water Storage Facilities	Investment	1,065,712	1,045,878	11.8%
LAIF - Interim Sewage	Investment	122,006	119,736	1.4%
LAIF - Debt Issuance 2022	Investment	5,261,543	5,163,622	58.4%
Cash in CB&T Reserved for SRF Loan	Checking	236,935	236,935	2.7%
Total Restricted		6,686,196	6,566,171	74.2%
Total District Cash & Investments		\$ 8,998,783	\$ 8,846,357	100.0%

Certification

I certify that (1) all investment actions executed since the last report have been made in full compliance with the District's Investment Policy and, (2) the District will meet its expenditure obligations for the next six months as required by California.

Cindy Byerrum

Cindy Byerrum, Treasurer