



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.

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MOTION: Approve the Finance/Audit Committee Meeting Recap and recommended that the Board receive and file the same as amended (Consent Calendar) – Director 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

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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.

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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.