



## TRABUCO CANYON WATER DISTRICT FINANCE/AUDIT COMMITTEE MEETING RECAP | JULY 11, 2024

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### **DIRECTORS PRESENT**

Don Chadd, Committee Chair  
Glenn Acosta, Committee Member

### **STAFF PRESENT**

Fernando Paludi, General Manager  
Michael Perea, Assistant General Manager  
Karen Warner, Principal Accountant  
Roseann Lejsek, Administrative Assistant  
Phil Serpas, SCADA/CMMS Administrator

### **STAFF ABSENT**

Lorrie Lausten, District Engineer

### **CONSULTANTS PRESENT**

None

### **PUBLIC PRESENT**

None

### **CALL MEETING TO ORDER**

Director Chadd called the July 11, 2024 Finance/Audit Committee Meeting to order at 8:00 a.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:

- The Trabuco Creek Groundwater Treatment Facility was still online and was meeting a majority of the District's potable water demands.
- Water Operations will be bringing the Dimension Water Treatment Plant (DWTP) online with an 80/20 blend of untreated MET water and untreated Irvine Lake water, respectively. Mr. Paludi complimented Water Operations staff for their efforts to utilize this source of supply, and he provided a brief overview of Irvine Ranch Water District's (IRWD) short-term and long-term capital improvement plans for Irvine Lake.

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

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Mr. Paludi presented the Finance/Audit Committee Meeting Recap for Committee review in accordance with the agenda.

- 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:** Director Acosta
- 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**

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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 June 2024 and tentative future meetings/attendance (Action Calendar) – Director Chadd
- SECOND:** Director Acosta
- AYES:** Directors Chadd & Acosta
- NOES:** None
- ABSTAIN:** None
- MOTION PASSED/FAILED:** Passed 2-0

**ITEM 3: UPDATE ON DISTRICT OTHER POST-EMPLOYMENT BENEFITS (OPEB) BIENNIAL ACTUARIAL REPORT FOR FYE 2023 – GASB 74/75 COMPLIANCE**

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Mr. Paludi presented this matter for Committee consideration, and he reported that this matter was a biennial requirement related to the Governmental Accounting Standards Board. Mr. Perea provided a brief review of the actuarial report, and he highlighted the key results of the trust performance year over year. Mr. Perea commented that the report indicated that the District’s Net OPEB Liability (NOL) has increased significantly due to inflationary impacts, lower than expected return/discount rates, and a one-time disbursement from the trust in the prior fiscal year, and he added that the District Financial Net Position (FNP) has reduced to 77% which is still a positive position. Mr. Perea reported that the Fiscal Year 2024-25 budget includes a disbursement request, but he did not recommend additional beyond what is planned. Discussion occurred concerning the overall performance of the OPEB trust.

- MOTION:** Recommend the Board of Directors receive and file the Actuarial Study of Retiree Health Liabilities Under GASB 74/75 (Action Calendar) – Director Chadd
- SECOND:** Director Acosta
- AYES:** Directors Chadd & Acosta
- NOES:** None
- ABSTAIN:** None
- MOTION PASSED/FAILED:** Passed 2-0

**ITEM 4: NOTICE OF DETERMINATION OF APPROPRIATIONS LIMIT FOR FISCAL YEAR 2024-25**

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Mr. Paludi presented this matter for Committee consideration, and he reported that District staff has worked with general counsel on the preparation of the proposed Fiscal Year 2024-25 appropriations limit. Mr. Paludi provided

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a brief review of the determination methodology and the memorandum prepared by Hanson Bridgett. Discussion occurred concerning population growth ration determination and proposed limit. Mr. Perea reported that District staff has complied with the notification requirements by posting the attached notice on the District’s website and notice board.

- MOTION:** Recommend the Board of Directors adopt the proposed Appropriations Limit for Fiscal Year 2024-25 of \$4,070,250.94 by resolution (Action Calendar) – Director Chadd
- SECOND:** Director Acosta
- AYES:** Directors Chadd & Acosta
- NOES:** None
- ABSTAIN:** None
- MOTION PASSED/FAILED:** Passed 2-0

**ITEM 5: FINANCIAL REPORT**

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Ms. Warner presented the preliminary unaudited financials for May 2024, and she highlighted the following items:

***WATER FUND***

***Total Operating Revenue***

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

***Total Source of Supply***

Ms. Warner reported that this line item was trending lower than budgeted due to lower-than-normal water sales.

***Total Salaries & Benefits***

Ms. Warner reported that this line item was trending lower than budgeted due to salary savings from employees on paternity leave.

***Total Transmission & Distribution***

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

***Total General & Administrative***

Ms. Warner reported that this line item was trending higher than budgeted due to the timing of insurance payments and increased public outreach costs. Director Acosta asked if staff believe the public outreach methods have been worth the associated costs; Mr. Paludi commented that the public relations consultant has been an excellent extension of staff on all outreach efforts.

***Net Total Unrestricted Cash Inflow/(Outflow)***

Ms. Warner reported that this line item trended a positive increase of water reserves.

***District Capital – Water***

Ms. Warner reviewed the capital improvement costs accrued in May 2024, including costs associated with the following: Dimension Water Treatment Plant (DWTP) Office & Storage, DWTP Vault Improvements, Valve Replacements – Water, and unplanned fleet improvements.

***SEWER FUND***

***Total Operating Revenue***

Ms. Warner reported that this line item was trending as budgeted.

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***Total Salaries & Benefits***

Ms. Warner reported that this line item was trending lower than budgeted due to salary savings from employees on paternity leave.

***Total Transmission & Distribution***

Ms. Warner reported that this line item was trending higher than the year-to-date amount due to increased system repairs/maintenance and electrical costs.

***Net Total Unrestricted Cash Inflow/(Outflow)***

Ms. Warner reported that this line item trended a reduction of sewer reserves due to total costs.

***District Capital – Sewer***

Ms. Warner reviewed the capital improvement costs accrued in May 2024, including the following: Golf Club Sewer Lift Station (SLS) Bypass Construction, WWTP Hoffman Blower Building Rehabilitation, Heritage SLS Rehabilitation, PSPS Transfer Switch Upgrade – Sewer, WWTP Fiber Optic Upgrade, and unplanned repairs related to the Vector Truck.

Director Acosta requested a tour of the finished Golf Club Sewer Lift Station for the Homeowners Association Board of Directors. Mr. Paludi indicated that the project is scheduled for completion late September/early October, and that staff will work on scheduling that facility tour.

***RECYCLED WATER FUND***

***Total Operating Revenue***

Ms. Warner reported that this line item was trending lower than budgeted due to lower-than-normal recycled water sales.

***Total Source of Supply***

Ms. Warner reported that this line item was trending higher than budgeted due to increased treatment-related and chemical purchase costs.

***Total Salaries & Benefits***

Ms. Warner reported that this line item was trending lower than budgeted due to salary savings from employees on paternity leave.

***Total Transmission & Distribution***

Ms. Warner reported that this line item was trending as budgeted.

***Total General & Administrative***

Ms. Warner reported that this line item was trending higher than the year-to-date amount due to the timing of insurance payments and certification renewals and professional services costs associated with a project grant application.

***Net Total Unrestricted Cash Inflow/(Outflow)***

Ms. Warner reported that this line item trended a decrease in contribution to recycled water reserves.

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***District Capital – Recycled Water***

Ms. Warner reviewed the capital improvement costs accrued in May 2024, including the following: Dove Recycled Booster Pump Station improvements and unplanned fleet improvements.

- MOTION:** Recommend the Board ratify payment of the bills for consideration for July 11, 2024, as presented (Action Calendar) – Director Chadd
- SECOND:** Director Acosta
- AYES:** Directors Chadd & Acosta
- NOES:** None
- ABSTAIN:** None
- MOTION PASSED/FAILED:** Passed 2-0

**ITEM 6: OTHER MATTERS**

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Mr. Perea reported that District staff has complied with the notification requirements for the Fiscal Year 2024-25 Undeveloped Land/Water Standby Charge public hearing scheduled for the July 18, 2024 Regular Board Meeting.

- MOTION:** None – Informational item only.

**ADJOURNMENT**

Director Chadd adjourned the July 11, 2024 Finance/Audit Committee Meeting at 8:37 a.m.