



**FINANCE/AUDIT COMMITTEE MEETING AGENDA  
TRABUCO CANYON WATER DISTRICT  
32003 DOVE CANYON DRIVE, TRABUCO CANYON, CA  
VIDEO/AUDIO BROADCAST MEETING – APRIL 14, 2021 AT 1:00 PM**

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**COMMITTEE MEMBERS**

Don Chadd, Committee Chair  
Edward Mandich, Committee Member

**DISTRICT STAFF**

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

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**AGENDA NOTE:**

*Meeting attendees should be aware that the meetings of the Board of Directors are, as required by law, open to the public and the District has very limited powers to regulate who attends Board meetings.*

**CONFERENCE CALL INFORMATION**

*Due to the spread of COVID-19 and as authorized by the Governor's Executive Order, Trabuco Canyon Water District will be holding all upcoming public meetings by Go To Meeting, and will be available by either computer or telephone audio as follows:*

**Computer Audio:** You can join the meeting from your computer, tablet, or smartphone by clicking on the following link: <https://zoom.us/j/96930019067>

**Telephone Audio:** 1 (669) 900-6833

**Access Code:** 969-3001-9067

*Persons desiring to monitor the Board meeting agenda items may download the Board meeting agenda and documents on the internet at **[www.tcwd.ca.gov](http://www.tcwd.ca.gov)**.*

*You may submit public comments by email to the Board at **[mperea@tcwd.ca.gov](mailto: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 10:00 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.*

**TRABUCO CANYON WATER DISTRICT  
FINANCE/AUDIT COMMITTEE MEETING AGENDA APRIL 14, 2021**

**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**

**FINANCIAL MATTERS**

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**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 10, 2021

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

**RECOMMENDED ACTION:**

*Recommend the Board of Directors ratify the Directors' fees and expenses for March 2021 and tentative future meetings/attendance. (Consent Calendar)*

**ITEM 3: DISCUSSION AND POSSIBLE ACTION CONCERNING INDEPENDENT AUDITING SERVICES FOR TRABUCO CANYON WATER DISTRICT**

**RECOMMENDED ACTION:**

*Committee to receive information and recommend that the Board of Directors authorize the General Manager to execute a contract for independent auditing services for Trabuco Canyon Water District, Trabuco Canyon Improvement Corporation, and Trabuco Canyon Public Financing Authority, with Nigro & Nigro LLP for a three-year period and not-to-exceed amount of \$61,500 (Action Calendar).*

**ITEM 4: DISCUSSION AND POSSIBLE ACTION TO ADOPT AN "OPPOSE" POSITION ON AB 1434 (FRIEDMANN) - INDOOR RESIDENTIAL WATER USE STANDARDS**

**RECOMMENDED ACTION(S):**

*Committee to receive information and recommend that the Board of Directors adopt an "OPPOSE" position on AB 1434 (Friedman).*

**TRABUCO CANYON WATER DISTRICT  
FINANCE/AUDIT COMMITTEE MEETING AGENDA APRIL 14, 2021**

**ITEM 5: DISCUSSION AND POSSIBLE ACTION TO PURCHASE TWO VEHICLES FOR TRABUCO CANYON WATER DISTRICT'S FIELD VEHICLE FLEET**

**RECOMMENDED ACTION(S):**

*Committee to receive information and recommend that the Board of Directors authorize the General Manager to purchase two District fleet vehicles for a total amount not-to-exceed \$80,000.*

**ITEM 6: DISCUSSION AND POSSIBLE ACTION CONCERNING CUSTOMER BILLING AND UNPAID BALANCES**

**RECOMMENDED ACTION(S):**

*Committee to receive information and take action(s) as deemed appropriate.*

**ITEM 7: DISCUSSION AND POSSIBLE ACTION CONCERNING ESTABLISHING A SECTION 115 PENSION TRUST**

**RECOMMENDED ACTION(S):**

*Committee to receive information and take action(s) as deemed appropriate.*

**ITEM 8: DISCUSSION AND POSSIBLE ACTION CONCERNING SANTIAGO AQUEDUCT COMMISSION PROPOSED FISCAL YEARS 2021-22 AND 2022-23 O&M AND CAPITAL PROJECT BUDGET**

**RECOMMENDED ACTION(S):**

*Committee to receive information and take action(s) as deemed appropriate.*

**ITEM 9: DISCUSSION AND POSSIBLE ACTION CONCERNING MUNICIPAL WATER DISTRICT OF ORANGE COUNTY (MWDOC) PROPOSED FISCAL YEAR 2021/2022 RATES, CHARGES, AND BUDGET**

**RECOMMENDED ACTION(S):**

*Committee to receive information and take action(s) as deemed appropriate.*

**ITEM 10: OTHER MATTERS**

**RECOMMENDED ACTION:**

*Hear Other Matters from the General Manager or District Staff.*

**ITEM 11: FINANCIAL REPORT**

**A) PRESENTATION OF UNAUDITED FINANCIAL STATEMENTS**

**RECOMMENDED ACTION:**

*Recommend that the Board receive and file the preliminary unaudited financial statements February 2021 (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 14, 2021 as presented. (Consent Calendar).*

**ADJOURNMENT**

**TRABUCO CANYON WATER DISTRICT  
FINANCE/AUDIT COMMITTEE MEETING AGENDA APRIL 14, 2021**

**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](http://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.*

*The District may conduct future meetings electronically (via teleconferencing) during the current ongoing emergency situation.*

**TRABUCO CANYON WATER DISTRICT  
FINANCE/AUDIT COMMITTEE MEETING | APRIL 14, 2021**

**FINANCIAL MATTERS**

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

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**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 10, 2020*

**CONTACTS (staff responsible): PALUDI/PEREA**



**TRABUCO CANYON WATER DISTRICT  
FINANCE/AUDIT COMMITTEE MEETING RECAP | MARCH 10, 2021**

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**DIRECTORS PRESENT VIA CONFERENCE CALL**

Director Don Chadd, Committee Chair  
Director Ed Mandich, Committee Member

**STAFF PRESENT**

Fernando Paludi, General Manager  
Michael Perea, Assistant General Manager/Board Secretary  
Lorrie Lausten, District Engineer  
Karen Warner, Principal Accountant  
Lisa Marie Sangi, Executive Assistant

**PUBLIC PRESENT VIA CONFERENCE CALL**

Cindy Byerrum, Consultant Eide Bally

**CALL MEETING TO ORDER**

Director Chadd called the March 10, 2021 Finance/Audit Committee Meeting to order at 1:05 P.M.

**VISITOR PARTICIPATION**

No visitor participation was received.

**ORAL COMMUNICATION**

No oral communication was received.

**COMMITTEE MEMBER COMMENTS**

There were no comments received.

**REPORT FROM THE GENERAL MANAGER**

There were no comments received.

**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.

**RECOMMENDED ACTION:**

The Committee recommended that the Finance/Audit Committee Meeting Recap be forwarded to the Board of Directors for approval (Consent Calendar).

**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. Director Mandich asked staff to update the meeting calendar to include the South Orange County Integrated Regional Watershed Management Executive Committee meeting

**TRABUCO CANYON WATER DISTRICT  
FINANCE AUDIT COMMITTEE MEETING RECAP | MARCH 10, 2021**

**RECOMMENDED ACTION:**

The Committee recommended that the Directors' Fees and Expenses Report for February 2021, and the Tentative Future Meetings/Attendance Report be forwarded to the Board of Directors for ratification (Consent Calendar).

**ITEM 3: DISCUSSION CONCERNING THE PURCHASE OF A NEW HEAVY EQUIPMENT VEHICLE – ONE FORKLIFT**

Mr. Paludi introduced this matter for Committee consideration. Mr. Perea provided an overview of the operations and maintenance needs at the Robinson Ranch Wastewater Treatment Plant (WWTP) which includes loading, unloading, and movement of heavy equipment like pumps and motors, but that the current equipment used for this work have certain ergonomic challenges, including pinch points and weight limitations. Mr. Perea mentioned that District staff has rented a forklift for the prior six months and have identified many benefits from its use. Mr. Perea reported that District staff has procured three quotes for the purchase of a new forklift, and he reviewed the quotes with the Committee. Discussion occurred concerning the types and benefits of the proposed forklifts. Mr. Perea recommended the purchase of the Toyota forklift from Southwest Toyota Lift.

**RECOMMENDED ACTION(S):**

Receive information at the time of the meeting and recommend the Board of Directors authorize the General Manager to purchase one Toyota forklift from Southwest Toyota Lift for an amount not to exceed \$35,000 (Action Calendar).

**ITEM 4: OTHER MATTERS**

Mr. Paludi mentioned that District staff is currently evaluating the benefits of Section 115 Pension Trust, and he reported that staff, including the District Treasurer, have met with both CalPERS and PARS to learn more about the long-term benefits to the District. Mr. Paludi added that this matter will be agendaized for a future discussion.

**RECOMMENDED ACTION:**

No action was taken.

**ITEM 5: FINANCIAL REPORT**

Ms. Warner presented the preliminary unaudited financials for January 2021 for Committee consideration and reviewed the following items:

58% of the year, line 2- 68% (working from home), line 3 67% increase cons fire flow, line 4 agriculture sales increase, line 5 @budget, line 6 54% El Toro Lift Station billing.

Line 7 78% Golf Course, line 8 down timing of other billing City of San Clemente, line 9 down not charging late penalties, line 12 on budget, line 13 down, quarter LAIF, line 15 100%, line 20 69% increase water demand, line 21 increase water demand, line 22 trend budget study, higher repairs; wwtp. Line 24/25 increase landscape and replace incubator, pump repair. Line 26/28 on budget, line 32 increase property taxes, TY nursery increase on potable water use.

Balance sheet; line 10-Chiquita, line 12 CIP review, WRES paying back the District.

***STATEMENT OF REVENUES AND EXPENSES***

***Operating Revenue, Residential Water***

Ms. Warner reported that this line item was higher than the prior month, and it was trending ten percent higher than anticipated year to date due to more customers working from home.

***Operating Revenue, Irrigation Water***

Ms. Warner reported that this line item was higher than the prior month due to more irrigation water usage due to the impacts of a drier winter season than the prior year.

**TRABUCO CANYON WATER DISTRICT  
FINANCE AUDIT COMMITTEE MEETING RECAP | MARCH 10, 2021**

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

Ms. Warner reported that this line item was lower than the prior month due to less water sales to the City of San Clemente.

***Operating Expenses, Total Operating Expenses***

Ms. Warner reported that this line item was trending higher than anticipated due to operating expenses.

***RESTRICTED ASSETS REPORT & INVESTMENT SCHEDULE***

Ms. Warner highlighted the Local Agency Interest Fund (LAIF) rate of return on District investments.

Mr. Paludi mentioned the planned reinstatement of utility bill penalty payment assessments will be brought to the Regular Board Meeting April 2021.

**RECOMMENDED ACTION:**

The Committee signed the bills for consideration and the warrant register and recommended that the Board ratify payment of the bills for consideration for March 10, 2021 as presented (Consent Calendar).

**ADJOURNMENT**

Director Chadd adjourned the March 10, 2021 Finance/Audit Committee Meeting at 1:33 PM.

DRAFT

**TRABUCO CANYON WATER DISTRICT  
FINANCE/AUDIT COMMITTEE MEETING | APRIL 14, 2021**

**FINANCIAL MATTERS**

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

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***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 a 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.

**RECOMMENDED ACTION:**

*Recommend that the Board ratify the Directors' fees and expenses for March 2021 and tentative future meetings/attendance. (Consent Calendar)*

**EXHIBIT(S):**

1. Directors' Fees and Expenses Report for March 2021
2. Directors' Tentative Future Meetings/Attendance – Calendar Year 2021.

**CONTACTS (staff responsible): PALUDI/PEREA**


**TRABUCO CANYON WATER DISTRICT  
DIRECTORS' FEES AND EXPENSES MONTHLY REPORT | MARCH 2021**

MEETING DESCRIPTION	ACOSTA	CHADD	DOPUDJA	MANDICH	SAFRANSKI
<b>DISTRICT MEETINGS</b>					
Engineering/Operational Committee Meeting			03/03/21		03/03/21
Finance/Audit Committee Meeting		03/10/21		03/10/21	
District Property Ad Hoc Committee Meeting					
Special Engineering Committee Meeting			03/15/21	03/15/21	
Individual Meeting with General Manager	03/16/21	03/15/21	03/16/21	03/15/21	03/15/21
Executive Committee Meeting		03/09/21	03/09/21		
Executive Committee Meeting		03/23/21	03/23/21		
Regular Board Meeting	03/17/21	03/17/21	03/17/21	03/17/21	03/17/21
<b>REPRESENTATIVE MEETINGS</b>					
City of Rancho Santa Margarita Council Meeting	03/10/21				
City of Rancho Santa Margarita Council Meeting					03/24/21
City of Rancho Santa Margarita City Planning Commission Meeting					
MWDOC Water Policy Meeting					
South County Nominating Committee					
South Orange County Water Agencies Group Meeting		03/25/21			
South Orange County Wastewater Authority (SOCWA) Regular Board Meeting			03/04/21		
Water Advisory Committee of Orange County Meeting (WACO)	03/05/21				
<b>NUMBER OF MEETINGS ATTENDED</b>	<b>4</b>	<b>6</b>	<b>7</b>	<b>3</b>	<b>4</b>
<b>FEES (\$125 per each meeting*)</b>	<b>\$500.00</b>	<b>\$750.00</b>	<b>\$875.00</b>	<b>\$375.00</b>	<b>\$500.00</b>
<b>DIRECT REIMBURSABLE EXPENSES</b>					
<b>DIRECT REIMBURSABLE EXPENSES TOTALS</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>
<b>INDIRECT REIMBURSABLE EXPENSES TOTALS</b>					
<b>TOTAL</b>	<b>\$500.00</b>	<b>\$750.00</b>	<b>\$875.00</b>	<b>\$375.00</b>	<b>\$500.00</b>
<i>* Maximum per diem per day is one; maximum per diems per month is 10</i>					

\_\_\_\_\_  
**DIRECTOR SIGNATURE**

**TRABUCO CANYON WATER DISTRICT | 2021 PUBLIC MEETING AND CONFERENCE CALENDAR**

2021													
LINE ITEM	MEETING DESCRIPTION	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
<b>DISTRICT PUBLIC MEETINGS</b>													
1	Executive Committee Meeting	TBD			TBD			TBD			TBD		
2	Engineering/Operational Committee Meeting	01/06/21	02/03/21	03/03/21	04/07/21	05/05/21	06/02/21	07/07/21	08/04/21	09/01/21	10/06/21	11/03/21	12/01/21
3	Finance/Audit Committee Meeting	01/13/21	02/10/21	03/10/21	04/14/21	05/12/21	06/09/21	07/14/21	08/11/21	09/08/21	10/13/21	11/10/20	12/08/21
4	Regular Board Meeting	01/20/21	02/17/21	03/17/21	04/21/21	05/19/21	06/16/21	07/21/21	08/18/21	09/15/21	10/20/21	11/17/21	12/15/21
5	District Properties Ad Hoc Committee Meeting	-	-	-	-	-	-	-	-	-	-	-	-
<b>PUBLIC MEETINGS</b>													
6	City of RSM City Council Meeting - Meeting No. 1	01/13/21	02/10/21	03/10/21	04/14/21	05/12/21	06/09/21	07/14/21	08/11/21	09/08/21	10/13/21	11/10/21	12/08/21
7	City of RSM City Council Meeting - Meeting No. 2	01/27/21	02/24/21	03/24/21	04/28/21	05/26/21	06/23/21	07/28/21	08/25/21	09/22/21	10/27/21	11/24/21	12/22/21
8	Independent Special Districts of Orange County Meeting	01/05/21	02/02/21	03/02/21	04/06/21	05/04/21	06/01/21	07/06/21	08/03/21	09/07/21	10/05/21	11/02/21	12/07/21
9	Independent Special Districts of Orange County Meeting	01/28/21	-	-	04/29/21	-	-	07/29/21	-	-	10/28/21	-	-
10	Orange County Local Agency Formation Commission (OC LAFCO)	01/13/21	02/10/21	03/10/21	04/14/21	05/12/21	06/09/21	07/14/21	08/11/21	09/08/21	10/13/21	11/10/21	12/08/21
11	Santiago Aqueduct Commission Meeting	-	-	03/18/21	-	-	06/17/21	-	-	09/16/21	-	-	12/16/21
12	South Orange County Integrated Regional Watershed Management Executive Committee	-	-	03/04/21	-	05/06/21	-	-	08/05/21	-	-	11/04/21	-
13	South Orange County Water Agencies Group Meeting*	01/28/21	-	03/25/21	-	05/27/21	-	07/22/21	-	09/23/21	-	11/25/21	-
14	South Orange County Wastewater Authority Regular Board Meeting	01/07/21	02/04/21	03/04/21	04/07/21	05/06/21	06/03/21	07/01/21	08/05/21	09/02/21	10/07/21	11/04/21	12/02/21
15	Water Advisory Committee of Orange County	01/01/21	02/05/21	03/05/21	04/02/21	05/07/21	06/04/21	07/02/21	08/07/21	09/03/21	10/01/21	11/06/21	12/04/21
<b>CONFERENCES</b>													
16	ACWA Spring Conference - Monterey, CA					5/11 - 5/14							
17	ACWA Fall Conference - Pasadena, CA											11/30 12/3	
18	CSDA Annual Conference -Monterey, CA								8/3 - 9/2				
19	CSDA GM Leadership Summit - Olympic Valley, CA						6/27 - 6/29						
20	CSDA SDLA Conference - Lake Tahoe, CA									9/26 - 9/29			

**LEGEND**  
 District Observed Holiday - Reschedule Meeting  
*\*4th Tuesday of the Odd Numbered Month*

**TRABUCO CANYON WATER DISTRICT  
FINANCE/AUDIT COMMITTEE MEETING | APRIL 14, 2021**

**FINANCIAL MATTERS**

**ITEM 3: DISCUSSION AND POSSIBLE ACTION CONCERNING INDEPENDENT AUDITING SERVICES FOR TRABUCO CANYON WATER DISTRICT**

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In February 2021, the District issued a Request for Proposals (RFP) for Independent Auditing Services for Fiscal Years Ending 2021-2023, with a two-year option to extend the contract. Audit services would include Trabuco Canyon Water District, Trabuco Canyon Improvement Corporation, and Trabuco Canyon Public Financing Authority. The RFP was sent to six highly qualified audit firms in Southern California and four of the firms responded:

- Eadie + Payne LLP
- Fedak & Brown LLP
- Nigro & Nigro PC
- Rogers, Anderson, Malody & Scott LLP

The District's current auditing firm, DavisFarr LLP, did not submit a proposal. Each of the proposals received were well thought out, detailed, and adequate in form, technical audit experience, audit approach/workplan, and professionalism. Although each of the four responding firms had special district experience, some had more relevant experience than others. The three-year total costs ranged from \$20,500 to \$29,500, and total staff hours ranged from 190 to 200 hours.

Two respondents, Fedak & Brown and Nigro & Nigro demonstrate both exceptional qualifications and competitive cost proposals. Although both firms are expected to deliver similar quality of services to the District, the team lead from Nigro & Nigro has extensive water district auditing experience and direct experience with the District. Nigro & Nigro also submitted the lowest cost proposal at \$20,500 annually over three years, or \$61,500 in total. Based on industry experience and qualifications, knowledge of the District, and the lowest cost to the District, staff recommends Nigro & Nigro to provide independent auditing services to the District for a minimum of three years.

**FUNDING SOURCE:**

General Fund

**FISCAL IMPACT:**

\$20,500 annually through Fiscal Year Ending 2023.

**ENVIRONMENTAL COMPLIANCE:**

Not applicable

**RECOMMENDED ACTION(S):**

*Committee to receive information and recommend that the Board of Directors authorize the General Manager to execute a contract for independent auditing services for Trabuco Canyon Water District, Trabuco Canyon Improvement Corporation, and Trabuco Canyon Public Financing Authority, with Nigro & Nigro LLP for a three-year period and not-to-exceed amount of \$61,500 (Action Calendar).*

**EXHIBITS:**

1. Nigro & Nigro LLP Proposal for Independent Auditing Services for Trabuco Canyon Water District

**CONTACTS (staff responsible): PALUDI/WARNER**

**PROPOSAL FOR PROFESSIONAL AUDITING SERVICES  
Trabuco Canyon Water District**

**For the Fiscal Years Ending  
June 30, 2021-2023  
(with option for two additional years)**



***Respectfully Submitted by:***

Paul J. Kaymark, CPA

Nigro & Nigro, PC

pkaymark@nncpas.com

**Murrieta Office:** 25220 Hancock Ave. #400, Murrieta, CA 92562 • P: (951) 698-8783 • F: (951) 699-1064  
**Walnut Creek:** 2121 N. California Blvd. #290, Walnut Creek, CA 94596 • P: (844) 557-3111 • F: (844) 557-3444

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we partner with our clients to build  
valuable relationships that inspire success.*

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March 17, 2021

Karen Warner, Principal  
Trabuco Canyon Water District  
32003 Dove Canyon Drive  
Trabuco Canyon, CA 92679

Dear Ms. Warner:

Thank you for the opportunity to submit this proposal to provide auditing services for the Trabuco Canyon Water District. Our understanding of the work to be done is: the annual audit of the District's financial statements for the years ending June 30, 2021-23 with the option to extend two additional years. Based on our history with water districts, I believe our firm would be a great fit, and we would develop a great working relationship. Our staff works hard to help ensure our audits are completed with the highest level of service and meet all deadlines.

Although many people think that all water districts function in the same manner, we know that's not the case. The audit leadership team we've assigned to your district, including myself, will take the time to learn the intricacies of your organization. We find that by delving deep into our client's structure and operations we are able to make recommendations that are not only useful, but also practical to implement.

At Nigro & Nigro, PC, our greatest strengths correspond to your most critical needs; we possess the full spectrum of resources needed to most effectively help the District's management team and Board members meet their goals – all at a very competitive rate. We believe we are your best choice.

- **Credibility, Reputation, and Resources of a Large Firm** without sacrificing the small-firm touch. Our CPAs and consultants can help you analyze and address financial, operational, and regulatory issues so you can focus attention on serving your citizens. We were originally formed in 1999, and now perform annual audits for approximately 80+ public agencies annually.
- **State-Wide Reach with Local Presence.** At Nigro & Nigro, we have the benefit of having the resources of a state-wide firm while serving you from our Walnut Creek office. We also have an office in Murrieta for additional resources.
- **Efficiency.** Our use of portal software allows you to upload audit documentation at any time, which will minimize disruption to your staff and enable timely completion of all deliverables.
- **An Efficient and Effective Work Plan.** We currently serve over 80+ governmental entities state-wide, which enables our staff to understand the scope of the audit. We also understand the District's complexities, not just from a compliance standpoint but also from an operational point of view. We have developed an effective work plan that takes into consideration your needs for high quality audit services, as well as timely deliverables. As a result of our efficient work plan, we commit to meeting your deadlines to complete our auditing services within the time period you specify.

- **Thought Leadership.** Members of our firm have been actively involved as presenters in numerous industry conferences and programs, including the GFOA, CSDA, and CSMFO. We have incorporated our experience with these committees into our audit framework.
- **Engagement Team.** We know that quality people drive quality results, which is why our commitment to you starts with the engagement team members who are selected based on their experience, focus on serving local government agencies, and who are the best fit for you. Each of the District's engagement team members have completed and exceeded the mandatory requirement for continuing professional education hours as requested in the RFP. Paul Kaymark, Partner, will be the main contact for the District regarding this project.
- **A Focus on Providing Consistent, Dependable Service to Government Entities.** Nigro & Nigro is organized by industry, affording our clients with industry-specific expertise supplemented by valuable local service and insight. Therefore, the District will enjoy the service of members of our Governmental Audit Services Team who have experience with similar governmental entities and understand the issues and environment critical to you. You will not have to train our auditors.

You may have many options in selecting a professional audit firm. By choosing Nigro & Nigro, you will gain value-added accounting and operational insights. We are the right fit for the District, as we have the expertise and depth of resources within our firm to offer you exceptional service while maintaining a sincere and honest relationship. We understand the work, we are committed to meeting your deadlines, and we would like the opportunity to be your auditors. We also commit to meeting or exceeding your expectations.

It is understood that the District reserves the right to reject this proposal and that this proposal is a firm and irrevocable offer for 90 days.

Thank you once again for the opportunity to present our qualifications. If you have any questions about our offerings, please do not hesitate to contact me.

Sincerely,



Paul J. Kaymark, CPA  
Audit Services Partner

## LICENSE TO PRACTICE IN CALIFORNIA

The firm and its entire CPA staff hold licenses to practice in the State of California. The Firm's CPA's are all members in good standing with the California Society of CPA's and the AICPA. We will assign a California licensed CPA as the auditor in charge of the audit.

## STATEMENT OF INDEPENDENCE

Our standards require that we be without bias with respect to your operations. The Firm is independent of all entities listed in the RFP, as defined by auditing standards generally accepted in the United States of America and the U.S. General Accounting Office's "Governmental Auditing Standards". In addition, the Firm shall give the District written notice of any relevant professional relationships entered into during the period of this agreement.

The Firm has had no prior engagements with the District, nor are there any personal or organizational conflicts of interest as prohibited by law.

## FIRM QUALIFICATIONS & EXPERIENCE

### Experience

Nigro & Nigro team members are highly trained in governmental accounting and auditing, which sets us apart as being able to add value beyond the basic attest engagement. We are comfortable working with clients of various sizes. Within the past five years, we have worked with numerous governmental clients with revenues ranging from \$200,000 to over \$300 million.

Prior to any audit engagement, our engagement team leader will meet with the Board, Audit Committee and Management to gain a full understanding of the philosophy, objectives and policies for operating the organization, as well as to discuss significant business, regulatory and accounting matters that will affect the audit. At the conclusion of the audit, we will communicate the results of the audit with the Board, Audit Committee and Management.

Areas of specialization include:

- Audit and Review Services
- Government Auditing Standards & Single Audits
- Annual Report of Financial Transactions
- Agreed Upon Procedures Engagements
- Comprehensive Annual Financial Report (CAFR) development

### Range of Activities Performed

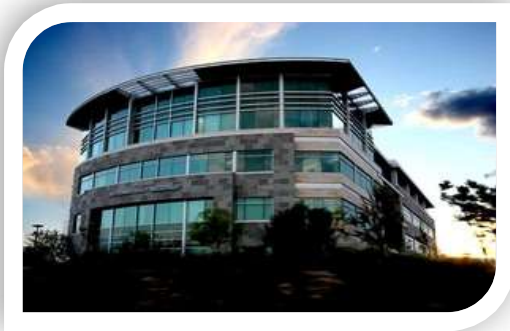
- Audit services for more than 80 governmental agencies
  - Includes charter schools, school districts, county offices, and JPAs
- Financial and performance audits under Prop. 39 for school districts
- Consulting and other services for numerous other agencies and not-for-profits
- Tax services for individuals, corporations, and non-profit organizations

## FIRM QUALIFICATIONS & EXPERIENCE (CONTINUED)

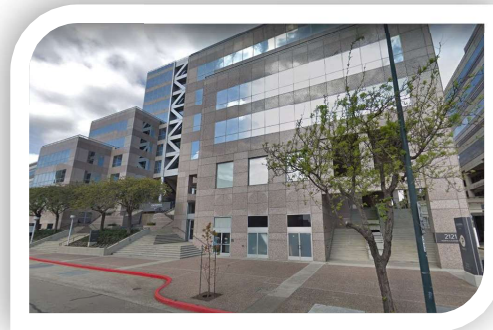
### Size and Location of Offices

The firm was originally established in 1999. In 2013, we opened our second office in Northern California in order to better serve our growing client base of school districts in the San Francisco Bay Area. The Firm now has five partners and a professional staff of 18 accountants and expects to add more in the coming years as we continue to grow. We are a full service firm, providing audit and review, tax, consulting, and accounting services to local government, non-profit organizations, charter schools, commercial businesses and homeowners' associations. The office serves clients of all sizes and industries, however, we focus on government agencies, just like yours.

*We are prepared to do what it takes to provide the extra level of service required to maintain a long-term business relationship.*



MURRIETA OFFICE



WALNUT CREEK OFFICE

### Size of Our Firm

Firm-wide, we have the following staffing for our governmental audit services:

Position	Number of Employees	Number of Licensed CPA's
<b>Partner*</b>	5	5
<b>Manager</b>	1	1
<b>Supervisor</b>	1	-
<b>Senior</b>	4	1
<b>Associates</b>	8	-
<b>Support Staff</b>	3	-
<b>Total</b>	<b>22</b>	<b>7</b>

*\*Although the term "partner" is used throughout this proposal to avoid confusion, the firm is organized as a Professional Corporation, and the firm's owners are "shareholders."*

## FIRM QUALIFICATIONS & EXPERIENCE (CONTINUED)

### Past Performance / Disciplinary Action

The Firm has not had any State desk reviews or field reviews of its audits in the last five years. We also have had no disciplinary action taken or pending against the Firm during the past five years with state regulatory bodies or professional organizations.

### Peer Review

Our firm's most recently issued peer review report can be found under the "Additional Documents" section of the proposal. A firm can receive a "Fail", "Pass with Deficiencies", or a "Pass" rating. The firm's most recent peer review report rating was a Pass with deficiencies. This rating indicates that the firm's system of quality control has been suitably designed and complied with to provide the audit organization with reasonable assurance of performing and reporting in conformity with professional standards and applicable legal and regulatory requirements in all material respects with the exception of a certain deficiency. The deficiency noted in the review has been subsequently corrected and accepted by the CalCPA Peer Review program. As required by our membership in the Government Audit Quality Center (GAQC), the peer review included a selection of a sample of governmental audit engagements.

## PARTNER, MANAGER/SUPERVISOR AND STAFF QUALIFICATIONS & EXPERIENCE

### Meet Your Audit Leadership Team

Listed on the following pages are the resumes of the management team that will be assigned to your audit. As mentioned previously, our staff members have considerable governmental audit experience. This gives us a pool to draw on in addition to the group listed.

Name	Role	Years of Experience in Audits
<b>Paul J. Kaymark, CPA</b>	Lead Partner	24
<b>Peter Glenn, CPA</b>	Review Partner	11
<b>Jared Solmonsén, CPA</b>	Audit Senior	2
<b>Stacy Macias</b>	Audit Senior	2
<b>Anabel Cruz</b>	Audit Associate	1

### Staff Continuity

Effective service relies on a strong-working relationship between clients and our staff. For this reason, we do our best to ensure a consistent audit team is working on the engagement not only throughout the year, but in each subsequent year. This helps enable us to best respond to the specific needs of our clients, and will prevent your staff from feeling like they must "train" new auditors each year.

Our firm has been fortunate to experience less than typical turnover for a typical CPA firm. The average length of time a typical auditor has been employed by the firm is around four years. We find that our employees enjoy coming into work every day, which in turn provides a much better client experience.

# Paul J. Kaymark, CPA

## Lead Audit Partner

Paul joined the firm in 2019 and has more than 26 years of previous public accounting and auditing governmental entities experience. Paul is our choice for new governmental audit clients, having extensive experience in the areas of governmental entities. His main responsibilities include assistance in the preliminary planning of audit work, review of assistants' work, and performing audit procedures in more complex audit areas.

### Audit Services:

Mr. Kaymark has been working on audit engagements of governmental agencies, not-for-profit organizations, as well as for-profit corporations and companies. His previous experience includes audit and consulting work for large and small businesses with a focus on client service. Paul strives to build strong relationships with his clients by assisting them with any emerging issues and being available as a resource.

### Consulting Services:

Mr. Kaymark has experience in a variety of governmental issues, garnered from his auditing experience over the years. He regularly consults with clients in areas of:

### Special District Accounting:

- Internal controls
- Financial reporting
- Annual report of financial transactions

### Financial Reporting:

- Year-end closing procedures
- Cash flows
- Budget development and projections
- Multi-Year projections
- Pension and OPEB accounting

### Some Agencies Served:

- Palmdale Water District
- Mojave Water Agency
- Western Municipal Water District
- El Toro Water District
- East Orange County Water District
- Trabuco Canyon Water District



**California Special Districts Association**

*Districts Stronger Together*

**CSDA Workshop Speaker**



### Education:

Bachelor of Science, Business Administration, Accountancy  
California State University, Long Beach  
1994

### Licenses and Certifications:

- Certified Public Accountant, California
- GFOA Certificate for Excellence in Financial Reporting - Reviewer

### Professional Affiliations:

- Government Finance Officers Association (GFOA)
- California Society of Municipal Finance Officers (CSMFO)
- California Special District Association (CSDA)

### Continuing Education:

Various municipal accounting courses offered by the AICPA, CalCPA Education Foundation including:

- Governmental and Nonprofit Annual Update
- GASB Basic Financial Statements for State and Local Governments
- Single Audits: Uniform Grant Guidance (formerly OMB Circular A-133)
- Financial Accounting Standards Board Annual Updates



**Water and Wastewater Clients Audited and/or Consulted With Over My Career**

**Water and Wastewater**

Metropolitan Water District of Southern California  
Los Angeles County Sanitation District  
Long Beach Water Department  
Glendale Water and Power  
Colton Public Utilities  
Baldy Mesa Water District  
Bear Valley Community Services District  
Beaumont-Cherry Valley Water District  
Big Bear City Community Services District  
Cabazon Water District  
California Domestic Water Company  
Casitas Municipal Water District  
Castaic Lake Water Agency  
Chino Basin Water Conservation District  
Chino Basin Watermaster  
Coachella Valley Water District  
Diablo Water District  
East Orange County Water District  
El Toro Water District  
Farm Mutual Water Company  
Golden Hills Community Services District  
Goleta Water District  
Hi-Desert Water District  
Inverness Public Utilities District  
Irvine Ranch Water District  
Joshua Basin Water District  
Jurupa Community Services District  
Leucadia Wastewater District  
Mesa Consolidated Water District  
Mojave Water Agency  
Monte Vista Water District  
Montecito Water District  
North Coast County Water District  
North Marin Water District  
Novato Sanitary District  
Palmdale Water District

**Water and Wastewater, continued**

Phelan Pinon Hills Community Services District  
Pomona Valley Protective Agency  
Purissima Hills Water District  
Rincon del Diablo Water District  
Rosamond Community Services District  
Rossmoor Los Alamitos Area Sewer District  
Sacramento Suburban Water District  
San Bernardino Valley Water Conservation District  
San Gabriel Valley Municipal Water District  
San Lorenzo Valley Water District  
Santa Ana Watershed Project Authority  
Santa Margarita Water District  
Saticoy Sanitary District  
Solano County Water Agency  
Soquel Creek Water District  
Stallion Springs Community Services District  
Summerland Sanitary District  
Trabuco Canyon Water District  
Tres Pinos Water District  
Triunfo Sanitation District  
Twentynine Palms Water District  
Vallecitos Water District  
Valley County Water District  
Ventura Regional Sanitation District  
Victor Valley Water District  
Victor Valley Wastewater Reclamation Authority  
Victorville Water District  
Water Facilities Authority - Joint Power Agency  
Water Replenishment District  
West County Agency  
West County Wastewater District  
West Valley Water District  
Westborough Water District  
Western Municipal Water District  
Western Riverside County Regional Wastewater  
Yorba Linda Water District

# Peter Glenn, CPA

## Review Partner

Peter joined the firm in 2011 after nearly three years of previous public accounting and auditing experience. Peter will work under the general direction of the partner. Peter is our choice for new governmental audit clients, having successfully worked on each of the Firm's clients since beginning with the Firm. His main responsibilities include assistance in the preliminary planning of audit work, review of assistants' work, and performing audit procedures in more complex audit areas.

### Audit Services:

Peter Glenn began his auditing career with Nigro & Nigro in 2011, participating in audits of special districts, LEAs, other governmental audits, and agreed-upon procedure engagements. Prior to joining the firm, he worked for three years at another public accounting firm, developing his auditing skills. He has previously been the in-charge accountant for some of the firm's largest clients.

### Consulting Services:

Mr. Glenn has experience in a variety of governmental accounting issues, derived from his auditing experience at the firm. He regularly consults with clients in areas of:

### Special District Accounting:

- Internal controls
- Financial reporting & GASB 34
- Annual report of financial transactions

### Financial Reporting:

- Uniform Guidance
- Performance Audits
- Year-end closing procedures
- Cash flows
- Budget development and projections
- Multi-Year projections

### Other Agencies Served:

- Riverside County Open Space and Park District
- Cahuilla Band of Indians
- Central Basin Municipal Water District
- Murrieta Valley Cemetery District
- Elsinore Valley Cemetery District
- Alamo-Lafayette Cemetery District
- Bodega Bay Fire Protection District
- Los Angeles Harbor Cemetery District



### Education:

Bachelor of Science, Business Administration, Accounting  
California State University,  
San Marcos, 2008, Magna Cum Laude

### Licenses and Certifications:

- Certified Public Accountant, California

### Continuing Education:

- CASBO Annual Conference
- SSC Finance & Management Conferences
- Government Accounting & Auditing Conference
- In-house training for audit staff (presenter)



# Jared Solmons, CPA

## Senior Accountant

Jared joined the firm in 2019 as a Staff Accountant. After completing his degree, Jared went to work for a midsize construction company where he worked as an estimator and project manager before transitioning into more of an accounting and finance role. It was working in this role that led him to the decision to pursue the goal of becoming a Certified Public Accountant. He continues to hone his skills and expand his knowledge as he branches out into different areas of accounting services and working with various governmental agencies and not-for-profit organizations. Jared will work under the general supervision of the partner and oversee staff as they work together through different audit areas.



### Audit Services:

Jared began his career with Nigro & Nigro working on LEA audits before transitioning to focus on special districts and not-for-profit organizations. He focuses on a customer-oriented approach to auditing, striving to build strong relationships by working with clients to help them navigate the ever-changing world of accounting rules and standards.

### Consulting Services:

Jared has experience with a variety of governmental and not-for-profit accounting issues, as well as other tax and audit concerns, derived from his audit and consulting experience at the firm. He regularly consults with clients in the areas of:

### Special District Accounting:

- Internal control policies, procedures, and best practices
- Year-end closing procedures
- Capital asset and depreciation schedule

### Financial Reporting:

- Federal and state compliance
- Single audits
- Revenue and expense tracking by program/grant
- Statement of functional expense
- Compiling financial statements
- Disclosure requirements

### Other Agencies Served:

- Palmdale Water District
- Scotts Valley Water District
- Oxnard Harbor District
- Big Bear City Airport District
- Pauma Valley Community Services District
- North County Fire Protection District
- San Gabriel Valley Mosquito & Vector Control District
- Ventura County Resource Conservation District
- Tehachapi Valley Recreation & Park District
- Murrieta Valley Cemetery District

### Education:

Bachelor of Science, Business Administration, Finance  
California State University,  
San Marcos, 2013

### Licenses and Certifications:

- Certified Public Accountant, California

### Continuing Education:

- AICPA webinars and CPE
- California Special Districts Association Conference
- Spidell Tax Seminar
- In-house training for audit staff (presenter)

### Additional Areas:

- Tax preparation
- QuickBooks knowledge

# Stacy Macias

## Senior Accountant

Stacy joined the firm in 2018 as a staff accountant after completing her degree at California State University, Chico and has worked her way up to Senior Accountant. Stacy has worked in a variety of the firm's audit and tax departments. Stacy continues to expand her knowledge as she branches out into different areas of accounting services and working with varying governmental and not-for profit clients. Stacy will work under the general direction of the partner and oversee staff as they work together through different audit areas.

### Audit Services:

Stacy began her auditing career on audit engagements of local education agencies, charter schools, governmental agencies, and non-for-profit organizations. Stacy enjoys auditing governmental agencies and non-for-profit due to their varying structures and sizes. Stacy truly values customer service and building client relationships. Her friendly demeanor makes clients comfortable in reaching out to her during the audit process or throughout the year.

### Consulting Services:

Stacy has experience in a variety of governmental and not-for-profit accounting, tax, and audit concerns, derived from her audit and consulting experience those industries. She regularly consults with clients in the areas of:

### Financial Reporting:

- Year-end closing procedures
- Internal control policies and procedures and best practices
- Compiling Financial Statements
- Revenue and Expense tracking by program/grant
- Statement of Functional Expenses
- Capital assets and depreciation schedules
- Disclosure requirements
- Federal and State compliance

### Additional Areas:

- Tax preparation
- QuickBooks knowledge

### Other Agencies Served:

- Palmdale Water District
- Ventura County Conservation District
- Antelope Valley Resource Conservation District
- Rowland Water District
- North County Fire Protection District
- Bolinas Fire Protection District
- Bodega Bay Fire Protection District



### Education:

Bachelor of Science, Business Administration, Accounting  
California State University, Chico, 2018

### Licenses and Certifications:

- CPA License Candidate (expected licensure in 2021)

### Continuing Education:

- CalCPA Conferences for Governmental Accounting and Auditing and Not-for-profit Organizations
- Spidell Tax Seminar
- Western CPE Tax update webinars
- In-house training for audit staff (presenter)

# Anabel Cruz

## Audit Associate

Anabel began her career in public accounting in 2019 with Nigro & Nigro, PC. Previous to joining the firm, she worked as an Accountant at private sector companies. She has passed the CPA examination and is working towards meeting the requirements needed for licensure. Anabel's audit experience includes audits of governmental and not-for-profit organizations such as cemeteries, resource conservation districts, water Districts, fire Protection Districts and community Service Districts. Anabel values building quality relationships with clients while providing timely and reliable services. Anabel is working under the general direction of the Audit Supervisor.



### Audit Services:

Anabel has experience with a variety of governmental and not-for-profit accounting issues derived from her audit and consulting experience at the firm. She regularly consults with clients in the areas of:

### Consulting Services:

Anabel has experience in a variety of governmental and not-for-profit accounting and audit concerns, derived from her audit and consulting experience those industries. She regularly consults with clients in the areas of:

### Financial Reporting:

- Year-end closing procedures
- Agreed upon procedures
- Internal control policies and procedures and best practices
- Capital assets and depreciation schedules

### Other Agencies Served:

- Palmdale Water District
- North County Fire Protection District
- Ventura County Resource Conservation District
- County of San Bernardino ATC
- Winters Cemetery District

### Education:

Bachelor of Science, Finance and Accountancy  
California State University, Northridge,  
2014

### Licenses and Certifications:

- CPA License Candidate (expected licensure in 2021)

### Continuing Education:

- Government Accounting & Auditing Conference
- Not-For-Profit Organizations Conference
- In-house training for audit staff

## PARTNER, MANAGER/SUPERVISOR AND STAFF QUALIFICATIONS & EXPERIENCE (CONTINUED)


### Training & Resources

The Firm is committed to a continuing professional education program, which emphasizes the areas of expertise of each member of our professional staff. The Firm is required to comply with the *Government Auditing Standards* for each professional practicing in the area of governmental accounting and auditing. We are committed to follow those standards, which result in quality audit services, including continuing education for all staff of 60-80 hours each year, specifically in school districts and governmental auditing. As required by *Government Auditing Standards*, all governmental audit staff receives the required continuing education in the area of governmental auditing and accounting. These policies are monitored internally, reviewed annually and certified periodically by independent peer review.

Library facilities are maintained which include current professional literature and specific information for the industries that we serve. The Firm library is also reviewed as part of the external quality review program. The Firm has in-house training programs specific to our school district clients. We also perform auditing and accounting updates for our clients that are organized by our staff. These practices ensure the quality of our staff over the term of the engagement.

Our staff participates in activities relating to government accounting and reporting issues through our membership and involvement with the following organizations:

- a. American Institute of CPA's Governmental Audit Quality Center
- b. California Society of CPAs
- c. Government Finance Officers Association (GFOA)
- d. California Special Districts Association (CSDA)
- e. Government Accounting Standards Board (GASB)
- f. Association of Certified Fraud Examiners (ACFE)



*We recognize that our most important product is prompt and effective service.*

Through our participation in these organizations and continuing education provided by them, the Firm continues to stay abreast of all current governmental accounting and reporting issues. Some of the professional education our audit team members have either presented at or attended in the last two years include:

- SSC Annual Finance and Management Conference
- SSC Governor's Budget Workshop
- CSDA Annual Conference
- CSMFO Conference
- GFOA Annual Conference
- Various other governmental workshops

We recognize that our most important product is prompt and effective service. We believe the District should work with its CPA firm throughout the entire year. We are available at any time throughout the year to provide any assistance you may need.

## PRIOR ENGAGEMENTS WITH OTHER DISTRICT

The Firm has had no prior engagement with the Trabuco Canyon Water District in the last five (5) years.

# AUDIT APPROACH

## Specific Audit Approach

We will audit the basic financial statements of the District for the fiscal year ended June 30, 2021 in accordance with the following standards:

- Auditing Standards Generally Accepted in the United States of America
- *Government Auditing Standards*, issued by the Comptroller General of the United States
- Minimum Audit Requirements and Reporting Guidelines for Special Districts

Our audit will be for the purpose of expressing an opinion on the basic financial statements, and will include such auditing procedures as considered necessary to accomplish this purpose. We will also provide an "in-relation-to" opinion on any other supplemental information and statistical schedules. We anticipate issuing the following reports:

- Independent Auditors' Report on the basic financial statements.
- Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

In addition, we will provide the District with a management letter that will give written appraisals of its accounting and related systems. This letter will identify any control deficiencies, significant control deficiencies or material weaknesses that are identified during the audit. We will work with management before audit fieldwork and during the course of the audit to assess internal controls and review mitigating controls in place in an effort to reduce the control deficiencies, significant control deficiencies and material weaknesses that need to be reported to management in writing, assuming there are mitigating controls in place. The letter will also offer recommendations for the elimination of weaknesses that we identify, and we will suggest any methods we discover to help improve efficiency and effectiveness.

We will schedule an appearance with the Board and the Audit Committee that allows an opportunity for us to present the audit and management letter. This is an excellent time for the District to resolve any questions it has regarding our audit or management letter. As mentioned earlier, the value in hiring our Firm comes from not only the audit, but from our experience and the education, we can provide. We hope that as questions or concerns arise throughout the year, the District staff will contact us and draw on our knowledge and experience.

Non-significant deficiencies discovered during the audit process shall be reported in a separate letter to management, the Board and the Audit Committee, which shall be referred to in the report(s) on internal controls. This separate letter also informs the Board and the Audit Committee of the following:

- 1) The auditor's responsibility under auditing standards generally accepted in the United States of America.
- 2) Significant accounting policies.
- 3) Management judgments and accounting estimates.
- 4) Significant audit adjustments.
- 5) Other information in documents containing audited financial statements.
- 6) Disagreements with management.
- 7) Management consultation with other accountants.
- 8) Major issues discussed with management prior to retention.
- 9) Difficulties encountered in performing the audit.

All working papers and reports will be retained at the Firm's expense for a minimum of seven (7) years, unless the Firm is notified in writing by the District of the need to extend the retention period.

## AUDIT APPROACH (CONTINUED)

### Segmentation of Engagement

#### ***STEP 1: Planning***

Our goal in preliminary fieldwork is to gain a thorough understanding of your internal controls, processes and procedures. Our goal is to accomplish as much interim fieldwork as possible so that our stay during final fieldwork is kept to a minimum. Our preliminary work focuses on planning and internal control documentation.

#### ***STEP 2: Interim Field Work***

##### **Internal Control Documentation**

Our internal control documentation usually occurs during interim fieldwork. Our documentation process will be as follows:

- 1) Gather or update documentation for significant processes defined in our preliminary fieldwork.
- 2) Perform a "walk-through" of these significant processes.
- 3) Ask "what can go wrong" questions.
- 4) Identify controls in place. This will include both preventative and detective controls.
- 5) Evaluate the design of internal controls.
- 6) Decide whether to test and rely on controls.
- 7) Summarize preliminary fieldwork and submit management letter of all areas of concern.

#### ***STEP 3: Final Fieldwork***

We assess risks, design procedures and obtain evidence to support financial statement amounts and disclosures during final fieldwork. Our Firm utilizes a methodology designed specifically for special districts. Our process emphasizes continuous communication with our staff.

##### **Assess Risks and Design Procedures**

As outlined in the risk based statements of audit standards (SAS 104 to 111), our Firm uses a risk-based approach to the audit. Our procedures to assess risks and design procedures are as follows:

- 1) Assess risk of material misstatement from errors or fraud based on internal controls combined with inherent risk of significant accounts.
- 2) Design procedures to test controls if considered necessary.
- 3) Design procedures to test details of account balances and classes of transactions based on risk.

##### **Interim and Year End Testing**

- 1) Perform tests of controls if considered necessary.
- 2) Perform tests of details of account balances and classes of transactions.
- 3) Evaluate quality and sufficiency of audit evidence.
- 4) Evaluate misstatements.

#### ***STEP 4: Audit Completion***

##### ***Preparation of Audit Report and Management Letter***

After reviewing the financial statements, notes and required supplementary schedules, we will agree the data to our working papers and provide a thorough review of all information by using written Firm standards and checklists. We will also review and incorporate any statistical data. This will verify appropriate presentation and disclosure. We will also at this time prepare our management letter that identifies financial trends and recommendations for improvement, reports required communications to the governing board, and discusses change in the environment in which the Agency operates.

## AUDIT APPROACH (CONTINUED)

### Use of Technology/Remote Proficiency

In order to facilitate the exchange of data between us and our clients in a secured manner throughout the course of the audit, we employ the use of an online secured portal. Our clients have appreciated this unique and forward-thinking platform which helps minimize duplicate requests and unnecessary email and phone exchanges to request and receive audit documentation. The software is very user-friendly and easy to understand. This also allows us to perform much of the audit remotely without being onsite to reduce our carbon footprint.

## STAFF ESTIMATE AND COST

Professional	Hours	Rates		Total
		Standard	Quoted	
Partner	31.00	\$ 175.00	\$ 150.00	\$ 4,650.00
Manager	52.00	150.00	125.00	6,500.00
Supervisor	50.00	125.00	100.00	5,000.00
Staff	58.00	100.00	75.00	4,350.00
Admin	-	75.00	50.00	-
<b>Subtotal</b>	<b>191.00</b>			<b>20,500.00</b>
<b>Out-of-Pocket - Included in Rates</b>				<b>-</b>
<b>Total Max</b>				<b>\$ 20,500.00</b>

Fiscal Year	2020-2021	2021-2022	2022-2023	Total
<b>Audit &amp; CAFR</b>	\$ 20,000	\$ 20,000	\$ 20,000	\$ 60,000
<b>State Controllers</b>	500	500	500	1,500
<b>Total Max</b>	<b>\$ 20,500</b>	<b>\$ 20,500</b>	<b>\$ 20,500</b>	<b>\$ 61,500</b>
<b>Single-Audit*</b>	\$ 4,000	\$ 4,000	\$ 4,000	\$ 12,000
<b>* If Needed</b>				

## REFERENCES

We currently conduct over 80+ government audits each year and have well rounded experience with local governmental agencies. We are excited for the opportunity to devote our attention to you and your specific needs. Below is a partial list of some similar governmental clients we have audited within the past three years.

<b>Organization Name:</b>	<b>Casitas Municipal Water District</b>
<b>Contact Person:</b>	Denise Collin, CFO
<b>Address:</b>	1055 N. Ventura Ave. Oak View, CA 93022
<b>Phone:</b>	(914) 672-6849
<b>Project(s):</b>	CAFR - Financial Statement Audits
<b>Engagement Partner:</b>	Paul J. Kaymark
<b>Total Hours:</b>	240

<b>Organization Name:</b>	<b>Oxnard Harbor District</b>
<b>Contact Person:</b>	Austin Yang, Director of Finance
<b>Address:</b>	333 Ponomo Street, Port Hueneme, CA 93041
<b>Phone:</b>	(805) 488-3677
<b>Project(s):</b>	CAFR - Financial Statement Audits
<b>Engagement Partner:</b>	Paul J. Kaymark
<b>Total Hours:</b>	240

<b>Organization Name:</b>	<b>Palmdale Water District</b>
<b>Contact Person:</b>	Dennis Hoffmeyer, Accounting Supervisor
<b>Address:</b>	2029 East Avenue Q Palmdale, CA 93550
<b>Phone:</b>	(661) 456-1021
<b>Project(s):</b>	Financial Statement Audits
<b>Engagement Partner:</b>	Paul J. Kaymark
<b>Total Hours:</b>	220

<b>Organization Name:</b>	<b>Pauma Valley Community Services District</b>
<b>Contact Person:</b>	Bobby Graziano, Administrator
<b>Address:</b>	33129 Cole Grade Road Pauma Valley, CA 92061
<b>Phone:</b>	(760) 742-6900
<b>Project(s):</b>	Financial Statement Audits
<b>Engagement Partner:</b>	Paul J. Kaymark
<b>Total Hours:</b>	180

<b>Organization Name:</b>	<b>Scotts Valley Water District</b>
<b>Contact Person:</b>	Piret Harmon, General Manager
<b>Address:</b>	2 Civic Center Drive Scotts Valley, CA 95066
<b>Phone:</b>	(831) 438-2363
<b>Project(s):</b>	CAFR - Financial Statement Audits
<b>Engagement Partner:</b>	Paul J. Kaymark
<b>Total Hours:</b>	180

## CONFLICTS OF INTEREST

The Firm has no actual, apparent, direct or indirect, or potential conflicts of interest that may exist with respect to the Firm, management, or employees of the Firm or other persons relative to the services to be provided under the Agreement for auditing services.

## PROPRIETARY INFORMATION

The Firm affirms that nothing contained within this proposal is proprietary.

## INSURANCE

The Firm maintains a Professional Liability Insurance Policy with a \$1,000,000 limit per claim and \$3,000,000 policy aggregate. In addition, the Firm maintains a Commercial General Liability Policy with a \$1,000,000 limit per occurrence and \$2,000,000 general aggregate.

Additional insurance information is available upon request.

## ADDITIONAL INFORMATION

### Testimonial

"Few people have the opportunity to work with someone who was a coach and a mentor-but I did when I worked with Paul. I had the pleasure working directly under Paul's supervision and I was particularly impressed by his ability to handle even the toughest clients - and effortlessly. That skill often takes years to develop, but it seemed to come perfectly natural to him. Paul was one of those rare partners who also naturally serve as an inspiring mentor for the whole staff and I was grateful to learn a lot from him."

*Deana Miller  
Accounting Manager  
PolyCera, Inc.*

### Fraud Hotline



Throughout the audit process, we will make available our fraud hotline reporting service at no additional charge over the period of the contract to ensure the District has an effective anti-fraud program.



# **ADDITIONAL DOCUMENTS**



**POWELL & SPAFFORD, INC.**  
CERTIFIED PUBLIC ACCOUNTANTS

Jessie C. Powell, CPA (Ret.)  
Patrick D. Spafford, CPA

Licensed by the California Board of Accountancy  
Member: American Institute of Certified Public Accountants

## **Report on the Firm's System of Quality Control**

To Nigro & Nigro, PC  
and the Peer Review Committee of the California Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Nigro & Nigro, PC (the firm) in effect for the year ended August 31, 2017. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at [www.aicpa.org/prsummary](http://www.aicpa.org/prsummary). The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

### **Firm's Responsibility**

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

### **Peer Reviewer's Responsibility**

Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review.

### **Required Selections and Considerations**

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

## Deficiency Identified in the Firm's System of Quality Control

We noted the following deficiency during our review:

1. The firm's quality control policies and procedures addressing engagement performance and documentation procedures were not adhered with. This contributed to audit engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act, did not conform to professional standards in all material respects in the areas of testing specific to major program compliance.

## Opinion

In our opinion, except for the deficiency previously described, the system of quality control for the accounting and auditing practice of Nigro & Nigro, PC in effect for the year ended August 31, 2017, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency (ies)* or *fail*. Nigro & Nigro, PC has received a peer review rating of *pass with deficiency*.



April 9, 2018



NIGRO & NIGRO<sup>PC</sup>

A PROFESSIONAL ACCOUNTANCY CORPORATION

To the Readers of the Peer Review Letter:

As a member firm of the American Institute of CPAs Governmental Audit Quality Center, we are committed to adhering to the highest quality standards by voluntarily agreeing to the Center membership requirements, which include designating a partner responsible for the quality of our Governmental and Non-Profit Organizations audit practice, establishing quality control programs, performing annual internal inspection procedures, and making our peer review report findings publicly available.

The firm's most recent peer review report rating was a *Pass with deficiencies*. This rating indicates that the firm's system of quality control has been suitably designed and complied with to provide the audit organization with reasonable assurance of performing and reporting in conformity with professional standards and applicable legal and regulatory requirements in all material respects with the exception of a certain deficiency. The deficiency noted in the Peer Review Letter has been subsequently corrected and the corrective action has been accepted by the CalCPA Peer Review program.

Nigro & Nigro, PC  
Murrieta, California

Jeff Nigro, CPA, CFE | Elizabeth Nigro, CPA | Shannon Bishop, CPA | Peter Glenn, CPA, CFE | Paul J. Kaymark, CPA

**MURRIETA OFFICE** 25220 Hancock Avenue, Suite 400, Murrieta, CA 92562 • P: (951) 698-8783 • F: (951) 699-1064

**WALNUT CREEK OFFICE** 2121 N. California Blvd. #290, Walnut Creek, CA 94596 • P: (844) 557-3111 • F: (844) 557-3444

**TRABUCO CANYON WATER DISTRICT  
FINANCE/AUDIT COMMITTEE MEETING | APRIL 14, 2021**

**FINANCIAL MATTERS**

**ITEM 4: DISCUSSION AND POSSIBLE ACTION TO ADOPT AN “OPPOSE” POSITION ON AB 1434 (FRIEDMANN) - INDOOR RESIDENTIAL WATER USE STANDARDS**

---

AB 1434’s author, Assemblywoman Laura Friedman (D, Glendale) authored the “Making Conservation A Way of Life” legislation in 2018 along with Senator Bob Hertzberg (D, Van Nuys). That legislation, which is still in the process of being implemented, requires each urban water supplier in California to calculate and meet an urban water use objective. The urban water use objective is comprised of and calculated from four components: an indoor water use efficiency standard, an outdoor water use efficiency standard, a commercial/industrial/institutional (CII) standard, and a water loss standard. The standard for indoor residential water use was set by statute in the 2018 legislation.

The 2018 legislation, which was heavily negotiated with the water community, set the indoor residential standard at 55 gallons per capita daily (gpcd) until 2025. It then reduced the standard to 52.5 gpcd between 2025 and 2030, and to 50 gpcd in 2030. The legislation also required the Department of Water Resources (DWR), in consultation with the State Board, to investigate and study the benefits and consequences of the indoor standard (DWR Report) and make a recommendation if it should be adjusted. That examination is being undertaken but has yet to be completed.

Assemblywoman Friedman now proposes in AB 1434 to set the standard for indoor residential water use at 48 gpcd until 2025. It would then reduce the standard to 44 gpcd between 2025 and 2030, and to 40 gpcd in 2030. Reducing the indoor standard just as the “Making Conservation a California Way of Life” legislation is being implemented, and prior to DWR completing its full investigation and study of the benefits and consequences of a change in the indoor standard, is premature. Additionally, a lowering of the indoor residential water use standard to 40 gpcd may have a substantial impact on sewer system and treatment, and recycled water supplies throughout the state. For these reasons, staff recommends the Board adopt an “OPPOSE” position on AB 1434.

**FUNDING SOURCE:**

Not applicable.

**FISCAL IMPACT:**

None.

**ENVIRONMENTAL COMPLIANCE:**

Not applicable.

**RECOMMENDED ACTION(S):**

*Committee to receive information and recommend that the Board of Directors adopt an “OPPOSE” position on AB 1434 (Friedman).*

**EXHIBITS:**

1. Draft letter to Assembly Committee on Water, Parks & Wildlife expressing opposition to AB 1434.
2. AB 1434 Fact Sheet.

**CONTACTS (staff responsible): PALUDI/PEREA**

STAFF MEMBERS

Fernando Paludi, General Manager  
Michael Perea, Board Secretary  
Cindy Byerrum, District Treasurer  
Atkinson, Andelson, Loya, Ruud & Romo  
District General Legal Counsel



BOARD OF DIRECTORS

Don Chadd, President  
Stephen Dopudja, Vice President  
Glenn Acosta, Director  
Edward Mandich, Director  
Michael Safranski, Director

April 21, 2021

The Honorable Eduardo Garcia  
Chair, Assembly Committee on Water, Parks & Wildlife  
State Capitol, Room 4140  
Sacramento, CA 95814

**RE: AB 1434 (Friedman) – Indoor Residential Water Use Standards - OPPOSE**

Dear Chair Garcia,

On behalf of Trabuco Canyon Water District, I am writing to respectfully Oppose AB 1434, which would arbitrarily change the indoor water use standards established by AB 1668 (Friedman, 2018). This bill proposes to incrementally lower the indoor water use standard starting in January 1, 2023 to reach a standard of 40 gallons per capita daily (GPCD) starting in 2030. Further the bill removes the requirement for the Department of Water Resources (DWR), in consultation with the State Water Resources Control Board (State Water Board), to submit a report (DWR Report) on the result of its indoor water use studies and make recommendations regarding the existing standards.

AB 1668 and SB 606 (Hertzberg, 2018) were a package of bills that implemented new water use efficiency standards, of which one part is the indoor water use standard this bill proposes to change. The provisions in these two bills were closely negotiated by stakeholders in the water community as well as members of the Legislature and environmental community. An important component of those negotiations was the requirement for DWR to conduct studies to identify a standard for indoor residential water use that reflects best practices.

This bill is premature and goes back on the agreements that were made when AB 1668 and SB 606 were passed and signed into law. The DWR Report was due January 1, 2021 but has not yet been made public. It is anticipated, based on the existing statutory requirements, that any forthcoming report or set of recommendations would be in draft form, because it is required by law to be finalized in collaboration with and input from stakeholders. Stakeholders have not yet seen any draft study results or recommendations from DWR or the State Water Board.

Our agency supports evidence-based decision making, and this bill does not rely on evidence. The new indoor use standards in this bill are not based on robust findings and an analysis of the benefits and impacts of how the changing standard will impact water

STAFF MEMBERS

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Michael Perea, Board Secretary  
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District General Legal Counsel



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Edward Mandich, Director  
Michael Safranski, Director

and wastewater management, including potable water use, wastewater, recycling and reuse systems, infrastructure, operations, and supplies.

For these reasons, Trabuco Canyon Water District has serious concerns about this bill and respectfully requests your “No” vote when it is heard in the Assembly Committee on Water, Parks & Wildlife.

Sincerely,

Don Chadd, President  
Trabuco Canyon Water District

cc: The Honorable Laura Friedman  
Members, Assembly Committee on Water, Parks & Wildlife



## AB 1434 (Friedman) --Indoor Residential Water Use Standard

### Summary:

AB 1434 will update the indoor residential water use efficiency standards to values that more appropriately reflect best practices for indoor residential water use pursuant to the requirements of AB 1668 (Friedman, 2018).

### Background:

Water efficiency is an effective climate adaptation and mitigation strategy. Research shows improved water efficiency leaves water in storage for use in dry periods years and allows water suppliers to defer investments in expensive new supplies. Furthermore, recent studies confirm that water efficiency can save more energy and help reduce greenhouse gas emissions at a lower cost than California's traditional energy efficiency programs.

Senate Bill x7-7 (Steinberg, 2009), also referred to as "20x2020", established the need for long-term conservation goals and set a statewide goal of reducing urban per capita water demand by 20 percent by 2020.

As the 2020 statewide goal was set to expire, AB 1668 established new long-term water efficiency goals to make water conservation a California way of life. Unlike 20x2020, which used a uniform percent reduction, AB 1668 established customized water use objectives for each urban water supplier. These objectives are based on water use standards for:

- Indoor residential per capita water use;
- Outdoor irrigation, in a manner that incorporates landscape area, local climate, and new satellite imagery data; and
- Water lost through leaks.

The initial indoor residential standard of 55 gpcd in AB 1668 was based on a performance standard established in SBx7-7. At the time of AB 1668's passage, there was inadequate data on which to base a more accurate assessment of current indoor water use. As a result, AB 1668 also required DWR, in consultation with the Board, to conduct necessary studies and investigations and by January 1, 2021, jointly recommend to the Legislature a standard for indoor residential water use that more appropriately reflects best practices for indoor residential water use.

While the joint recommendation has not yet been released, we anticipate the report will be provided to the Legislature in April 2021 based on DWR Director Karla Nemeth's testimony to the Legislature in February. In the absence of a joint recommendation from DWR and the Board, the standards in this legislation were drafted based on the best information available. New data indicates that the 55 gallons per capita daily established in AB 1668 is higher than average indoor water use reported between 2017-2019 and, thus, does not adequately reflect best practices.

**Why Now?** Updated standards will need to be adopted in the 2021 legislative session so they can inform the water efficiency regulation the Board is required to adopt by June 30, 2022.

### AB 1434:

- Establishes new standards for indoor residential water use.
- Does not apply to individuals or households. **Consistent with AB 1668, the State's indoor residential water use standards proposed in AB 1434 do not apply to individuals or households.** The indoor standard is one of three customized elements that comprise the overall water use objective for a retail water supplier's service area. The retail water supplier is required to comply with its water use objective which will be enforced at the service area level only.
- Does not eliminate the requirement for required reports. AB 1434 removes references to required studies because these studies will be completed prior to AB 1434 going into effect. The bill does not eliminate the requirement for DWR and the Board to complete and submit the required reports to the legislature.
- Note: the author intends to amend AB 1434 once DWR and the Board provide their joint recommendations to the legislature.

### Support:

- Natural Resources Defense Council
- The Pacific Institute

### Contact:

Jim Metropulos  
Office of Assemblymember Laura Friedman 916.319.2043  
[Jim.Metropulos@asm.ca.gov](mailto:Jim.Metropulos@asm.ca.gov)

**TRABUCO CANYON WATER DISTRICT  
FINANCE/AUDIT COMMITTEE MEETING | APRIL 14, 2021**

**FINANCIAL MATTERS**

**ITEM 5: DISCUSSION AND POSSIBLE ACTION TO PURCHASE TWO VEHICLES FOR TRABUCO CANYON WATER DISTRICT'S FIELD VEHICLE FLEET**

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The addition of a new field employee the Wastewater Operations Department and the anticipated filling of the Wastewater Superintendent position in the next few months has prompted a review of the operations fleet inventory by the Maintenance Superintendent to ensure that there are adequate and appropriate vehicles across all departments. It is recommended that two trucks be purchased, with one assigned to Water Operations and the other to Maintenance. An existing truck from Water Operations will be transferred to Wastewater Operations for the recently hired position, and the existing truck used by the Maintenance Superintendent will be transferred to the Wastewater Superintendent once that person is hired.

Due to availability and price challenges with Toyota Tundra trucks for the foreseeable future, staff is proposing to purchase:

- 1) 2021 Ford F250 Super Duty 2WD SuperCab with an 8' Scelzi service body for a total of \$38,631.74
- 2) 2021 Ford F250 Super Duty 4WD SuperCab short bed (no service body) for a total of \$38,351.59

Both trucks (photos in Exhibit A) are currently available at Tuttle-Click Ford Fleet center in Irvine.

**FUNDING SOURCE:**

Not applicable.

**FISCAL IMPACT:**

None.

**ENVIRONMENTAL COMPLIANCE:**

Not applicable.

**RECOMMENDED ACTION(S):**

*Committee to receive information and recommend that the Board of Directors authorize the General Manager to purchase two District fleet vehicles for a total amount not-to-exceed \$80,000.*

**EXHIBITS:**

1. Photos of Proposed New Fleet Vehicles

**CONTACTS (staff responsible): PALUDI/PEREA**

TRABUCO CANYON WATER DISTRICT  
APRIL 14, 2021 FINANCE & AUDIT COMMITTEE  
ITEM NO. 5



**2021 Ford F250 Super Duty 2WD SuperCab with an 8' Scelzi service body**



**2021 Ford F250 Super Duty 4WD SuperCab short bed**

**TRABUCO CANYON WATER DISTRICT  
FINANCE/AUDIT COMMITTEE MEETING | APRIL 14, 2021**

**FINANCIAL MATTERS**

**ITEM 6: DISCUSSION AND POSSIBLE ACTION CONCERNING CUSTOMER BILLING AND UNPAID BALANCES**

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In March 2020 as the coronavirus pandemic was beginning and Governor Newsom first issued stay at home orders, the District suspended the imposition of late payment charges on customer accounts in anticipation of potential economic hardship to District ratepayers. Also, the Water Shutoff Protection Act (SB 998) has been in effect since February 1, 2020 and during this period no customer meters have been locked off for non-payment or other reasons.

Since January 2021, District staff has been providing the Board with updates on economic conditions within and around the communities served by the District. As of April 2021, the pandemic's impacts on the economy are weakening and the Orange County is poised to enter significantly less restrictive tiers of social and economic restrictions.

Given this change of circumstances, many water districts are analyzing their customer accounts and evaluating ways of both recovering lost revenue and assisting customers with payments. Staff is prepared to share data with the Committee regarding Trabuco Canyon Water District's customer account past due balances and recommendations for bringing accounts current.

**FUNDING SOURCE:**

Not applicable.

**FISCAL IMPACT:**

The District is experience revenue impacts from inability to collect past due account balances.

**ENVIRONMENTAL COMPLIANCE:**

Not applicable.

**RECOMMENDED ACTION(S):**

*Committee to receive information and take action(s) as deemed appropriate.*

**EXHIBITS:**

None.

**CONTACTS (staff responsible): PALUDI/PEREA/WARNER**

**TRABUCO CANYON WATER DISTRICT  
FINANCE/AUDIT COMMITTEE MEETING | APRIL 14, 2021**

**FINANCIAL MATTERS**

**ITEM 7: DISCUSSION AND POSSIBLE ACTION CONCERNING ESTABLISHING A SECTION 115 PENSION TRUST**

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The Internal Revenue Service has determined that trusts established for the exclusive purpose of funding public agencies' employee benefit obligations are entitled to certain tax benefits, particularly exemption from income tax. These trusts (referred to as "Section 115 trusts") were historically used for funding other post-employment benefits (OPEB) obligations, but since 2015 have become popular vehicles to fund retirement benefit obligations, particularly in response to increased CalPERS required contributions. Section 115 trusts have two main characteristics that make them attractive mechanisms for setting aside funds to offset pension costs. The trusts are irrevocable, meaning that the resources deposited into the trust become the property of the trust and cannot be withdrawn for use on other purposes. Also, assets in the trust can be placed into a broader range of investments, with possibly greater returns, than is permitted for other general governmental funds (trust investments are still governed by restrictive fiduciary rules).

Since 2013, Trabuco Canyon Water District (District) has participated in the CalPERS CERBT (California Employer's Retiree Benefit Trust) in which the District has achieved significant investment gains with a net rate of investment return of over 7%. Currently, the District's primary option for reducing the CalPERS pension unfunded actuarial accrued liability (UAL) is to commit additional discretionary funds (ADP's) to CalPERS. By establishing an IRS Section 115 Pension Trust for pension liabilities, the District can reserve funds to help the City absorb future pension cost volatility generated from either market performance fluctuations or changes in actuarial assumptions. And like the OPEB trust, funds deposited in the Section 115 Pension Trust may be invested in higher-yielding instruments than conventional investment funds such as LAIF.

The District Treasurer recommends that the Board of Directors consider establishing a pension funding policy in conjunction with a Section 115 Pension Trust to ensure that the District responsibly funds pension liabilities. Staff is prepared to present more information on Section 115 Pension Trusts, administrative options, and pension funding policy objectives, at the May Finance & Audit Committee.

**FUNDING SOURCE:**

Not applicable.

**FISCAL IMPACT:**

None.

**ENVIRONMENTAL COMPLIANCE:**

Not applicable.

**RECOMMENDED ACTION(S):**

*Committee to receive information and take action(s) as deemed appropriate.*

**EXHIBITS:**

None.

**CONTACTS (staff responsible): PALUDI/PEREA/WARNER**

**TRABUCO CANYON WATER DISTRICT  
FINANCE/AUDIT COMMITTEE MEETING | APRIL 14, 2021**

**FINANCIAL MATTERS**

**ITEM 8: DISCUSSION AND POSSIBLE ACTION CONCERNING SANTIAGO AQUEDUCT COMMISSION PROPOSED FISCAL YEARS 2021-22 AND 2022-23 O&M AND CAPITAL PROJECT BUDGET**

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Trabuco Canyon Water District is a member of the Santiago Aqueduct Commission (Commission), a joint powers agency formed to finance, construct, and maintain the V.P. Baker Pipeline which conveys imported untreated water from the Metropolitan Water District of Southern California to south Orange County. The Commission operates on two-year, or biennial, budget cycles.

The Fiscal Years Ending (FYE) 2022 and 2023 biennial budget was approved by the Commission at the March 18, 2021 Quarterly Meeting. The District's Board President is the District's representative to and current Chairman of the Commission and requested that the Commission budget be presented to the Finance & Audit Committee for discussion. The basis for the Operations, Maintenance, and Capital budgets for the next two fiscal years are described in the March 18, 2021 Commission staff report (Exhibit A), and do not change significantly except for the Capital budget. The Capital budget reflects the on-going Baker Pipeline Relocation Project (Project).

The Project's total estimated budget is \$987,318. The capital costs estimated at \$145,813 through June 30, 2021 will be paid from the Commission's existing cash reserves. It is expected that each Commission member agency will set aside funding for the remaining \$841,505 estimated project cost which will be paid from cash calls to the member agencies during the FYE 2022. The projected contribution for Trabuco Canyon Water District, which is responsible for an 8.15% allocation of the affect pipeline reach, is \$68,583. Each member agency's share is listed in Exhibit "A-3" of Commission staff report.

Including the anticipated capital expenditures, the District's total obligation to the Commission's budget in FYE 2022 is \$81,976. For FYE 2023, the Commission's budget does not include planned capital and the District's share is \$13,241.

**FUNDING SOURCE:**

Not applicable.

**FISCAL IMPACT:**

The District's share of the Santiago Aqueduct Commission's total budget for Fiscal Year Ending 2022 is \$81,976.

**ENVIRONMENTAL COMPLIANCE:**


Not applicable.

**RECOMMENDED ACTION(S):**

*Committee to receive information and take action(s) as deemed appropriate.*

**EXHIBITS:**

1. Santiago Aqueduct Commission Agenda Item 8 Staff Report dated March 18, 2021.

March 18, 2021  
Prepared by: J. Craig / J. Tobar / E. Lin  
Submitted by: C. Clary  
Approved by: Paul A. Cook 

## SANTIAGO AQUEDUCT COMMISSION

### PROPOSED FISCAL YEARS 2021-22 AND 2022-23 OPERATIONS, MAINTENANCE AND CAPITAL PROJECT BUDGET

#### SUMMARY:

This year staff proposes that the Santiago Aqueduct Commission continue with a two-year budget cycle, which is consistent with the budget cycles several cities and water districts have adopted.

#### BACKGROUND:

##### *Operations Budget:*

The Operations budget includes the labor and administrative costs associated with operating, monitoring and reading the meters for water deliveries of the Baker Pipeline. It is funded by a surcharge on each acre-foot (AF) of water delivered. The surcharge per AF for each year is shown in Exhibit “A”, page A-3.

Staff recommends a decrease from the current FY 2020-21 surcharge of \$1.12 per AF to \$0.97 per AF in FY 2021-22 and then to \$0.99 per AF in FY 2022-23. The proposed decrease from FY 2020-21 results primarily from anticipated lower contract labor expenses. The decrease is partially offset by an increase in administrative costs. The surcharge increases slightly to \$0.99 per AF in FY 2022-23 primarily due a Cost-of-Living Adjustment for contract labor. Expected deliveries of water to member agencies of 31,435 AF remain consistent for each of the two fiscal years.

In accordance with past practice, depreciation is excluded from the FY 2021-22 and FY 2022-23 budgets based on the Commission’s approach to financing future capital expenditures on a pay-as-you-go basis. Each member agency sets aside funding for future capital projects, which will be funded by cash calls to the member agencies on an as-needed basis.

##### *Maintenance Budget:*

The Maintenance budget includes the cost of maintaining the pipeline and the administrative costs associated with both maintenance of the pipeline and administration of the Commission. As shown in Exhibit “A”, pages A-1 and A-2, the proposed budget for FY 2021-22 and FY 2022-23 reflects a decrease of \$5,100 and \$1,525, respectively. The decrease in FY 2021-22 is due primarily to reduced required cathodic protection system monitoring activities. The decrease in FY 2022-23 is due primarily to reduced follow-up activity required for cathodic protection system maintenance.

*Capital Project Budget:*

The capital project budget includes planning, design, permitting, and construction of the Baker Pipeline Relocation Project. As shown in Exhibit “A”, pages A-1 and A-2, the proposed budget for FY 2021-22 and FY 2022-23 reflects an increase of \$695,692 and a decrease of \$841,505, respectively. The increase in FY2021-22 is due primarily to starting and completion of the project from July to December 2021. The decrease in FY 2022-23 is due primarily to the project completion in December 2021. Funding for the project is discussed in the Baker Pipeline Relocation through Santiago Creek Project Update.

The proposed FY 2021-22 and FY 2022-23 Operations, Maintenance, and Capital Project budget is provided as Exhibit “A”. The assumptions used to prepare the budget are included as Exhibit “B”.

FISCAL IMPACTS:

Fiscal impacts to the participating agencies are shown in Exhibit “A”, page A-3.

ENVIRONMENTAL COMPLIANCE:

This item is not a project as define in the California Environmental Quality Act Code of Regulations, Title 14, Chapter 3, Section 15378.

RECOMMENDATION:

That the Commission review and approve the proposed Fiscal Years 2021-22 and 2022-23 Operations, Maintenance and Capital Project budget as presented.

LIST OF EXHIBITS:

Exhibit “A” – Proposed FY 2021-22 and FY 2022-23 Operations, Maintenance, and Capital  
Project Budget

Exhibit “B” – Proposed Budget Assumptions

**EXHIBIT "A-1"**  
**SANTIAGO AQUEDUCT COMMISSION**  
**Baker Pipeline**  
**Proposed Budget 2021-22**

	FY 2019-20 Actual			FY 2020-21 Actual (as of February 28, 2021)				Approved FY 2020-21 Budget				Proposed FY 2021-22 Budget				Increase/(Decrease)					
	Oper.	Maint.	Total	Oper.	Maint.	Capital Proj.	Total	Oper.	Maint.	Capital Proj.	Total	Oper.	Maint.	Capital Proj.	Total	Oper.	Maint.	Capital Proj.	Total	%	
<b>Contract Labor and Equipment</b>																					
1	Contract Labor	\$ 4,139	\$ 2,650	\$ 6,789	\$ 1,771	\$ 402	\$ 2,173	\$ 8,500	\$ 5,600	\$ 14,100	\$ 4,200	\$ 5,600	\$ 9,800	\$ (4,300)	\$ -	\$ (4,300)				-30.5%	
2	Equipment Usage	222		222	120		120	650	350	1,000	400	350	750	(250)	-	(250)				-25.0%	
3	Administration/Management	10,800	10,800	21,600	5,550	5,550	11,100	11,100	11,100	22,200	15,300	15,300	30,600	4,200	4,200				8,400	37.8%	
<b>Outside Services</b>																					
4	Telemetry Alarm System/Underground Alert	2,083		2,083	1,045		1,045	2,100		2,100	2,100		2,100							-	0.0%
5	Depreciation (2)	3,004		3,004	1,501		1,501	3,500		3,500			-	(3,500)		(3,500)				-100.0%	
6	Utilities		2,237	2,237		1,475	1,475		3,700	3,700		3,000	3,000			(700)				(700)	-18.9%
7	Cathodic Protection Sys Maintenance/Upgrade		2,100	2,100		6,270	6,270		5,000	5,000		5,000	5,000			-				-	0.0%
8	Cathodic Protection Sys Monitoring		36,169	36,169		8,429	8,429		31,000	31,000		26,000	26,000			(5,000)				(5,000)	-16.1%
9	Maintenance - Landscape		7,650	7,650		4,920	4,920		10,000	10,000		7,200	7,200			(2,800)				(2,800)	-28.0%
10	SAC Baker Pipeline Relocation Project					\$ 67,346	67,346		\$ 145,813 (1)	145,813		\$ 841,505	841,505					\$ 695,692	695,692	477.1%	
<b>Administration</b>																					
11	General Liability Insurance	3,574	3,574	7,148	2,444	2,444	4,888	3,650	3,650	7,300	3,500	3,500	7,000	(150)	(150)	(300)				(300)	-4.1%
12	Legal	1,408	1,408	2,816	983	983	1,966	2,000	2,000	4,000	2,000	2,000	4,000								0.0%
13	Bank Charges	344	344	688	297	296	593	400	400	800	500	500	1,000	100	100	200				200	25.0%
14	Audit	2,550	2,550	5,100	2,500	2,500	5,000	2,500	2,500	5,000	2,500	2,500	5,000								0.0%
15	Property Taxes			-			-	750	750	1,500			-	(750)	(750)	(1,500)				(1,500)	-100.0%
16	<b>Total</b>	<b>\$ 28,123</b>	<b>\$ 69,482</b>	<b>\$ 97,606</b>	<b>\$ 16,211</b>	<b>\$ 33,269</b>	<b>\$ 67,346</b>	<b>\$ 116,826</b>	<b>\$ 35,150</b>	<b>\$ 76,050</b>	<b>\$ 145,813</b>	<b>\$ 257,013</b>	<b>\$ 30,500</b>	<b>\$ 70,950</b>	<b>\$ 841,505</b>	<b>\$ 942,955</b>	<b>\$ (4,650)</b>	<b>\$ (5,100)</b>	<b>\$ 695,692</b>	<b>\$ 685,942</b>	266.9%

**Notes:**

(1) The capital project preliminary budget was reviewed with the Board on 9/17/2020.

(2) No depreciation will be charged for all fixed assets including the Pipeline Relocation Project in the current or future budgets based on the prior Board's discussion of financing future capital expenditures on a pay-as-you-go basis.

**EXHIBIT "A-2"**  
**SANTIAGO AQUEDUCT COMMISSION**  
**Baker Pipeline**  
**Proposed Budget 2022-23**

	FY 2019-20 Actual			FY 2020-21 Actual (as of February 28, 2021)				Proposed FY 2021-22 Budget				Proposed FY 2022-23 Budget			Increase/(Decrease)				%	
	Oper.	Maint.	Total	Oper.	Maint.	Capital Proj.	Total	Oper.	Maint.	Capital Proj.	Total	Oper.	Maint.	Total	Oper.	Maint.	Capital Proj.	Total		
<b>Contract Labor and Equipment</b>																				
1 Contract Labor	\$ 4,139	\$ 2,650	\$ 6,789	\$ 1,771	\$ 402		\$ 2,173	\$ 4,200	\$ 5,600		\$ 9,800	\$ 4,400	\$ 5,800	\$ 10,200	\$ 200	\$ 200		\$ 400	4.1%	
2 Equipment Usage	222		222	120			120	400	350		750	400	350	750					-	0.0%
3 Administration/Management	10,800	10,800	21,600	5,550	5,550		11,100	15,300	15,300		30,600	15,400	15,400	30,800	100	100		200	0.7%	
<b>Outside Services</b>																				
4 Telemetry Alarm System/Underground Alert	2,083		2,083	1,045			1,045	2,100			2,100	2,100		2,100	-				-	0.0%
5 Depreciation (1)	3,004		3,004	1,501			1,501				-			-					-	0.0%
6 Utilities		2,237	2,237		1,475		1,475		3,000		3,000		3,000	3,000					-	0.0%
7 Cathodic Protection Sys Maintenance/Upgrade		2,100	2,100		6,270		6,270		5,000		5,000		3,000	3,000		(2,000)		(2,000)	-40.0%	
8 Cathodic Protection Sys Monitoring		36,169	36,169		8,429		8,429		26,000		26,000		26,000	26,000					-	0.0%
9 Maintenance - Landscape		7,650	7,650		4,920		4,920		7,200		7,200		7,200	7,200					-	0.0%
10 SAC Baker Pipeline Relocation Project						\$ 67,346	67,346			\$ 841,505	841,505						\$ (841,505)	(841,505)	-100.0%	
<b>Adminstration</b>																				
11 General Liability Insurance	3,574	3,574	7,148	2,444	2,444		4,888	3,500	3,500		7,000	3,625	3,625	7,250	125	125		250	3.6%	
12 Legal	1,408	1,408	2,816	983	983		1,966	2,000	2,000		4,000	2,000	2,000	4,000					-	0.0%
13 Bank Charges	344	344	688	297	296		593	500	500		1,000	550	550	1,100	50	50		100	10.0%	
14 Audit	2,550	2,550	5,100	2,500	2,500		5,000	2,500	2,500		5,000	2,500	2,500	5,000					-	0.0%
15 Property Taxes			-				-				-			-					-	
16 <b>Total</b>	<b>\$ 28,123</b>	<b>\$ 69,482</b>	<b>\$ 97,606</b>	<b>\$ 16,211</b>	<b>\$ 33,269</b>	<b>\$ 67,346</b>	<b>\$ 116,826</b>	<b>\$ 30,500</b>	<b>\$ 70,950</b>	<b>\$ 841,505</b>	<b>\$ 942,955</b>	<b>\$ 30,975</b>	<b>\$ 69,425</b>	<b>\$ 100,400</b>	<b>\$ 475</b>	<b>\$ (1,525)</b>	<b>\$ (841,505)</b>	<b>\$ (842,555)</b>	<b>-89.4%</b>	

**Note:**

(1) No depreciation will be charged for all fixed assets including the Pipeline Relocation Project in the current or future budgets based on the prior Board's discussion of financing future capital expenditures on a pay-as-you-go basis.

**EXHIBIT "A-3"**  
**SANTIAGO AQUEDUCT COMMISSION**  
**Baker Pipeline**  
**Proposed 2021-22 and 2022-23 Surcharge and Allocation**

	Proposed FY 2021-22 Budget				Proposed FY 2022-23 Budget		
	Operating	Maintenance	Capital Project	Total	Operating	Maintenance	Total
1 Contract Labor	\$ 4,200	\$ 5,600		\$ 9,800	\$ 4,400	\$ 5,800	\$ 10,200
2 Equipment Usage	400	350		750	400	350	750
3 Administration/Management	15,300	15,300		30,600	15,400	15,400	30,800
4 Telemetry Alarm System	2,100			2,100	2,100		2,100
5 Depreciation				-			-
6 Utilities		3,000		3,000		3,000	3,000
7 Cathodic Prot Sys Maintenance		5,000		5,000		3,000	3,000
8 Cathodic Prot Sys Monitoring		26,000		26,000		26,000	26,000
9 Maintenance-Landscape		7,200		7,200		7,200	7,200
10 SAC Baker Pipeline Relocation Project			\$ 841,505	841,505			-
11 General Liability Insurance	3,500	3,500		7,000	3,625	3,625	7,250
12 Legal	2,000	2,000		4,000	2,000	2,000	4,000
13 Bank Charges	500	500		1,000	550	550	1,100
14 Audit	2,500	2,500		5,000	2,500	2,500	5,000
15 Property Taxes				-			-
<b>16 Total</b>	<b>\$ 30,500</b>	<b>\$ 70,950</b>	<b>\$ 841,505</b>	<b>\$ 942,955</b>	<b>\$ 30,975</b>	<b>\$ 69,425</b>	<b>\$ 100,400</b>

**Proposed FY 2021-22 and  
FY 2022-23**

<u>Member Agencies</u>	<u>Proposed Acre Feet</u>	<u>Capacity per Linear Foot</u>	<u>Reach 1U % (1)</u>						
			\$	\$	\$	\$			
17 East Orange County Wtr District		2.58%		\$ 1,831	\$ 80,195	\$ 82,026		\$ 1,791	\$ 1,791
18 Irvine Ranch Wtr Dist (NonBaker and Baker Project)	7,407	30.68%	\$ 7,185	21,767	427,400	456,352	\$ 7,299	21,300	28,599
19 Santa Margarita Wtr Dist (Baker Project)	8,454	22.28%	8,203	15,808	112,341	136,352	8,330	15,468	23,798
20 Trabuco Canyon Wtr Dist (NonBaker and Baker Project)	3,778	13.71%	3,666	9,727	68,583	81,976	3,723	9,518	13,241
21 El Toro Wtr Dist (Baker Project)	3,342	8.54%	3,243	6,059	42,496	51,798	3,293	5,929	9,222
22 Moulton Niguel Wtr Dist (Baker Project)	8,454	22.21%	8,203	15,758	110,490	134,451	8,330	15,419	23,749
<b>23 Total</b>	<b>31,435</b>	<b>100.00%</b>	<b>\$ 30,500</b>	<b>\$ 70,950</b>	<b>\$ 841,505</b>	<b>\$ 942,955</b>	<b>\$ 30,975</b>	<b>\$ 69,425</b>	<b>\$ 100,400</b>

<b>24 Proposed Surcharge per Acre Foot</b>	<b>\$ 0.97</b>	<b>\$ 0.99</b>
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**Note:**

**(1) SAC Baker Pipeline Relocation Project - Reach 1U Percentage**

25 East Orange County Water District	9.53%	\$ 80,195
26 Irvine Ranch Water District	50.79%	427,400
27 Santa Margarita Water District	13.35%	112,341
28 Trabuco Canyon Water District	8.15%	68,583
29 El Toro Water District	5.05%	42,496
30 Moulton Niguel Water District	13.13%	110,490
<b>31 Total</b>	<b>100.00%</b>	<b>\$ 841,505</b>

**TRABUCO CANYON WATER DISTRICT  
FINANCE/AUDIT COMMITTEE MEETING | APRIL 14, 2021**

**FINANCIAL MATTERS**

**ITEM 9: DISCUSSION AND POSSIBLE ACTION CONCERNING MUNICIPAL WATER DISTRICT OF ORANGE COUNTY (MWDOC) PROPOSED FISCAL YEAR 2021/2022 RATES, CHARGES, AND BUDGET**

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Trabuco Canyon Water District's (District) water wholesale agency, Municipal Water District of Orange County (MWDOC) is currently seeking input to the second draft operating budget for Fiscal Year Ending (FYE) 2022 (included as Exhibit A). Whereas the FYE 2021 budget included reductions in the retail service charge in recognition of potential COVID impacts to member agencies, the proposed budget will increase the retail rate by \$0.45 (3.7%) to \$12.65 per retail meter. The District's obligation to MWDOC at this proposed rate would be approximately \$52,000 for FYE 2022, not including imported water purchases.

It should be noted, however, that a rate study currently being conducted by MWDOC could result in modifications to both the retail meter service charge and the groundwater customer charge to Orange County Water District (OCWD). If approved by the MWDOC Board of Directors, the rate structure modifications would increase the proposed retail rate by \$0.80 (6.6%) to \$13.00 per retail meter. The proposed groundwater customer charge would decrease from \$573,893 per the current rate structure, to \$335,385 under the modified rate structure. A majority of MWDOC member agencies concur with the proposed rate structure modifications because they are viewed as fair to OCWD.

The final budget is scheduled for approval by the MWDOC Board of Directors at the April 21, 2021 Board meeting. Similar to last year, the Choice budget elections and commitments will lag behind this proposed schedule and the MWDOC board will consider a revised Final Choice Budget in September or October 2021 to reflect the reconciliations and final program commitments of the MWDOC member agencies.

District staff will present additional information regarding the MWDOC proposed budget and rate structure modifications at the Committee meeting.

**FUNDING SOURCE:**

Not applicable.

**FISCAL IMPACT:**

The District's share of the MWDOC Core budget for Fiscal Year Ending 2022, as currently proposed in the second draft, is approximately \$52,000.

**ENVIRONMENTAL COMPLIANCE:**

Not applicable.

**RECOMMENDED ACTION(S):**

*Committee to receive information and take action(s) as deemed appropriate.*

**EXHIBITS:**

1. Exhibit A – MWDOC March 10, 2021 A&F Committee Staff Report: FY 2021-22 Second Draft Budget

**CONTACTS (staff responsible): PALUDI/PEREA/WARNER**



**REVISED**  
**DISCUSSION ITEM**  
March 10, 2021

**TO: Board of Directors**

**FROM: Administration & Finance Committee**  
**(Directors McVicker, Dick, Thomas)**

**Robert Hunter**                      **Staff Contact: Hilary Chumpitazi**  
**General Manager**

**SUBJECT: FY 2021-22 Second Draft Budget**

**STAFF RECOMMENDATION**

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Staff recommends the Administration & Finance Committee, MWDOC Board of Directors, Member Agencies, and the public review, discuss and provide input and comments on the second draft of MWDOC's budget for FY 2021-22.

Pertinent aspects of the second draft budget include:

1. The second draft budget includes a proposed increase of \$0.40 (3.3%) to the retail service charge bringing the retail rate to \$12.60 per retail meter. The groundwater customer charge to OCWD decreases by \$23,107 (3.9%) to \$572,216. These charges are calculated under the current rate structure. It is possible that the rate structure may be modified as the result of the ongoing rate study.
2. The second draft has a budget total of \$184,732,353 (revenue) including Core & Choice, water sales, outside funding, and WEROC. This is a decrease of approximately 22% almost exclusively attributable to the two-year decrease in water sales.
3. The consolidated general fund budget is \$10,514,814 (revenue) with a decrease of \$10,297 (0.1%).
4. The total revenue amount for the Core budget is \$8,895,303; an increase of \$1,187 over the current year's budget. This includes a \$238,000 (52%) reduction in interest revenue.
5. The proposed second draft budget includes a planned reserves draw of \$40,365 and essentially fully funds the reserves to the target levels.
6. The unfunded CALPERS liability annual payment of \$207,000 is proposed. This will be the fourth year of the ten-year funding program.

<b>Budgeted (Y/N): NA</b>	Budgeted amount:	Core __	Choice __
<b>Action item amount:</b>	Line item:		
<b>Fiscal Impact (explain if unbudgeted):</b>			

7. The proposed salary contribution pool is at 3.64% of salaries and wages and reflects the rate of inflation (CPI = 1.64%) and merit considerations. No COLA (Cost of Living Adjustment) is being proposed.
8. There is a slight reduction (0.75 FTE) in the Full-time Employee staffing level (32.25 FTE) associated with staff retirement and succession planning. There is also a very small reduction in WEROC staffing (0.09 FTE) and a reduction in Part-time employees and Interns (1.07 FTE).
9. The invoice for the 2020 election was approximately \$177,000 less than the estimate used in the first draft budget. The election reserve had been increased by a transfer of funds to cover potentially five division elections. The allocation of this reduced expenditure results in an election reserve carryover of \$362,000 plus \$100,000 transferred/reversed for other expense categories.
10. The Building Improvement expenses has a significant carryover from the current fiscal year budget. The project is in the midst of active construction and the currently planned phases of the construction will be completed in FY 2021-22.
11. The Consolidated Professional Fee expenses are significantly reduced from this year (\$120,721 or 7.6%) but partially offset by a \$40,000 increase in the Engineering Expense. The two largest factors in the Professional Fee reduction are the completion of two periodic studies; the triennial Benchmark Study comparing MWDOC job classifications and salaries to the market and the 5-year rate study.
12. An additional project was added to the WUE cost center (Water Use Efficiency Potential & Opportunity Study) at a cost of \$100,000 which was offset by the lower election expense.
13. There is a decrease in the staff development/technical training/leadership training (\$12,500) associated with COVID-19 impacts on the program.
14. Conference & Travel expenses remain significantly below those of two years ago as it is assumed that COVID-19 will significantly reduce, but not eliminate, activity and/or travel in the first half of the fiscal year. This is similar to the assumption for the last budget cycle.
15. Outside funding for Water Use Efficiency (WUE) from rebates and grants is budgeted at \$2,618,752; an increase of \$1,038,818 over this year's budget.
16. Annual Local Resource Project (LRP) funding will decrease 15.3% from this year's budget as projects complete their funding cycle but are slightly above projected actuals for this year
17. Total outside funding (WUE & Local Resource Project (LRP) sources) is budgeted to be approximately \$6,754,840.
18. 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 second draft budget should be considered preliminary.

Proposed new items that are not incorporated in the budget pending Committee discussion include:

- A. Capital funding of the WEROC South Emergency Operations Center.

The fixed Retail Meter Charge and Rate and the Ground Water Customer Charge presented in this budget are based on the current rate structure implemented in FY 2016-17. A new rate study is currently being conducted. The results of that rate study will not change the revenue requirements for this budget, but may change the rate structure. That may change the proportion of revenue collected from retail Member Agencies and OCWD.

A reminder that memberships outlined in the Budget (Exhibit D) are approved by the Board with approval of the budget and therefore, each membership will not be brought to the Board for approval on an individual basis. Any new memberships not included in the budget will be brought to the Board for consideration.

Similar to memberships, budget approval for conferences includes Board and Staff approval for attendance at “standard conferences”. Standard conferences are those listed on Exhibits E and F and approval includes staff travel/attendance at any out of state conferences listed on Exhibits E and F. Subsequent to the budget adoption, any new, out of state conferences will be brought to the Board for consideration.

### **COMMITTEE RECOMMENDATION**

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Committee recommends (To be determined at Committee Meeting)

### **CHANGES FROM THE PRIOR DRAFT TO CURRENT DOCUMENT**

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This is the second draft budget and the following items are the major changes from the previous draft:

- Election expense invoice and effect on reserve calculations;
- Inclusion of proposed Water Use Efficiency Potential & Opportunity Study - study of per capita use reduction gains, opportunities and limits;
- WEROC South Emergency Operations Center (EOC) capital cost refinement and schedule.

### **MAJOR YEAR-TO-YEAR CHANGES IN THE CURRENT BUDGET**

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COVID-19 had significant impacts on the development of both this year’s and next year’s budgets. This resulted in an actual rate reduction last year for both the Retail Meter Rate (-\$0.20/meter) and the Groundwater Customer Charge (-\$2,925). The proposed Retail Meter Rate in the proposed budget is an increase of \$0.40/meter or 3.3% over last year and 1.6% over the rate for FY 2019-20. The proposed Groundwater Customer Charge is a further reduction of \$23,107 or 3.9% from last year.

The year-to-year (Y-T-Y) changes in the total Core expenses between FY 2020-21 and FY 2021-22 produce a decrease of \$55,861 (0.6%).

- The multi-year seismic retrofit and office remodel project will complete the planned phases in FY 2021-22. Funding for this project has been spread over multiple years and reflects a combination of single year revenues and carry-over funding from previous years.

- The largest Core expense is in the cost categories for Employee, MWDOC Director and MWD Director salaries, wages and benefits with a Y-T-Y increase of \$51,60444. However, this represents only a 1.0% increase in these categories.
- The other large increases in descending order are Engineering Expense (\$40,000), Maintenance Expense (\$21,980), Insurance Expense (\$20,000), and MWDOC's Contribution to WEROC (\$19,184).
- The Membership/Sponsorship expenses only include items previously approved by the Board of Directors.
- Significant Y-T-Y Core expense decreases include Professional Fees (\$1230,343), Miscellaneous Expense (\$26,619), and Training Expense (\$12,500).

Choice Y-T-Y expenses are largely unchanged at this point in the budget process. The year-to-year changes in the total Choice expenses between FY 2020-21 and FY 2021-22 are down \$11,484 (0.7%).

## **DETAILED REPORT**

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This committee and board item presents information and discusses the MWDOC FY 2021-22 budget. There is a simultaneous process being conducted to review and possibly modify the current MWDOC rate structure. The annual budget details expenses and revenue requirements for MWDOC's fiscal year. The rate study evaluates different methods to allocate and collect the revenue to meet those revenue requirements. The final rate structure does not change the size of the annual budget but can significantly change the distribution of the cost allocations between Member Agencies. MWDOC's budget process normally includes three versions of draft budget with the final budget being approved at the April Board of Directors meeting. It is anticipated that the rate structure (modified or not) will be approved at the same April 21<sup>st</sup> meeting. The second draft budget presents revenue figures based on the current rate structure. Later drafts may include alternative revenue distributions and rates based on alternative rate structures being considered in the rate study.

The FY 2021-22 MWDOC Budget is developed through a transparent and iterative process. Key topics discussed below include:

1. MWDOC Budget Process & Schedule
2. Budget Principles
3. Reserves
4. Compensation Pool Guidelines
5. Budget Input from Member Agencies
6. Key Priorities & Initiatives for FY 2021-2022
7. Core/Choice Programs
8. Water Rates and Charges
9. Proposed New Items Not Included Pending Committee Discussion

A short discussion on each item follows:

## 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 13th Administration & Finance (A&F) Committee and the first draft budget was presented at the February 10th A&F Committee meeting. This is the second draft budget (March 10<sup>th</sup> A&F) and the third draft budget is scheduled for the April 14<sup>th</sup> committee meeting. The final budget is scheduled for approval by the MWDOC Board of Directors at the April 21, 2021 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 2021 to reflect the reconciliations and final program commitments of our Member Agencies. Changes in Choice programs do not impact the rates and charges passed in April for Core activities.

## 2. MWDOC Budget Principles for FY 2021-22

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 in the service area and operations of 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 so as 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.

Goals and objectives for the eight MWDOC departments (Cost Centers) have been presented and discussed at two MWDOC committee meetings. The input from these public

meetings are incorporated into this budget.

### **3. Projected Year-End Estimates & Reserve Fund Balances**

#### **Projected Year-End Estimates for FY 2020-21**

Expense projections have been prepared for the remaining months of the current fiscal year in order to calculate the FY 2020-21 Year-End estimates. It is important to note, the initial projections utilized only four months of actual expenditures and estimated the remaining months in order to meet the budget schedule. These projections are reviewed and updated during the budget process as appropriate. Preliminary variance estimates for the FY 2020-21 Core budget include:

1. The total variance for the Core Budget is projected to be a performance of \$36,713 (0.4%) better than the budget, including revenues being \$245,000 under budget and expenses being \$281,713 under budget. The budgeted draw on reserves was \$97,413 but the projected draw on reserves is only \$60,700. The most significant expense activities involved the election for five divisions and the Building Renovation & Seismic Retrofit Project. The largest variance for revenue was the Interest Revenue category.
2. MWDOC received the election invoice from Orange County and the total cost for the four division elections was \$871,321.62; approximately \$177,000 less than the previous projection. The Election Reserve has been updated and there will be no contribution to this reserve for FY 2021-22. In addition, \$100,000 that was previously added to the Election Reserve in anticipation of a larger expense invoice is being reversed to offset the cost of the Water Use Efficiency Potential & Opportunity Study.
3. The Building Renovation Project (both Building Expense and Capital Acquisition Expense) is a comparatively large expense and includes significant year-to-year carryover of funds. The project will be completed in FY 2021-22.
4. Interest revenue is projected to be \$245,000 (53.5%) less than budgeted due to the rapid reduction of investment interest rates.
5. Other major budget expense variances in the year-end projections include Professional Fees projected to be \$131,137 under budget and Engineering Expenses at \$234,896 over budget. Other below budget expense categories include Miscellaneous Expense (\$62,554), Printing et al (\$42,695), Salaries & Wages (\$38,657), Maintenance Expense (\$32,420), and MWD Representation (\$30,027). COVID-19 operational impacts influenced many of these variances.

#### **Projected Reserve Fund Balances**

One goal of the budget process is the early identification of Reserve Fund impacts. The stated goal of the Board of Directors is to have reserves fully funded. The target balances for the reserves are set by approved MWDOC Board policy and procedures. The budget should be balanced relative to meeting those reserve targets. In other words, if the combination of the previous fiscal year's audited reserve balances plus the current fiscal

year year-end projections indicate that the reserve target will be exceeded, then the proposed budget should include a draw from the reserve balance down to the target. Conversely, if the projected total will drop the reserve balance below the target, then the proposed budget should increase the budgeted contribution to bring the reserves back up to the target.

The MWDOC designated reserve targets for FY 2021-22 and the projected reserve balances for FY 2020-21 (financial audit balances) are summarized in the table below. The total unfunded balance is (-) \$111,624 (i.e., Total Target of \$6,322,570 (-) Total Planned Balance of \$6,434,194). As indicated in 3.1 (above), a total of \$60,700 is projected to be a draw on reserves from the FY 2020-21 operations. This draw is allocated to the General Operations Reserves as indicated in the table column "FY 2020-21 Projected Year End Reclass to Reserves". An additional \$100,000 previously added to the Election Reserve will also be reclassified (see 3.2 above). The result is an unfunded total reserve balance of \$49,076.

Therefore, the goal for rate setting in the FY 2021-22 budget will be a budget surplus of \$49,076 to fully fund the reserves.

	# Days Cash	FY 2021-22 Reserve Target	FY 2020-21 Planned Reserve Balance	FY 2020-21 Projected Year End Reclass to Reserves	FY 2021-22 Projected Reserve Balance
General Operations	90-180	\$ 3,727,775	\$ 3,380,505	\$ (60,700)	\$ 3,677,805
Grant & Project Cash Flow		1,500,000	1,500,000	-	1,500,000
Building Reserve	10-15	435,648	436,542	-	436,542
Election Reserve	N/A	362,000	462,000	\$ (100,000)	362,000
OPEB Reserve est.9/2018	N/A	297,147	297,147	-	297,147
TOTALS		\$ 6,322,570	\$ 6,434,194	\$ (160,700)	\$ 6,273,494

The second draft budget has a draw on reserves of \$40,365, which is supplemented by the \$100,000 Election Reserve Fund reversal and resulting in a surplus of \$59,635, indicating an average of being fully funded by \$10,559.

#### **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 2020 CPI for the LA/Long Beach/Anaheim area was 1.64%. This is 49.8% lower than the 2019 number. The CPI of 1.64% falls into MWDOC's low inflation range. Every three years MWDOC contracts for a Comprehensive Baseline Survey that reviews our job classifications with similar agencies and job functions. This Benchmark Survey is being conducted during the current fiscal year and will be completed for inclusion in the third draft budget. Budget impacts are expected to be minor. In general, MWDOC has found limited range corrections to be necessary. Therefore, we will continue the CPI adjustment for FY 2021-22.

### Employee-Specific Salaries

MWDOC does not have a Cost of Living Adjustment (COLA) and a COLA is not included or proposed in this budget. As part of the budget process, MWDOC establishes a Compensation Pool that facilitates employee salary increases allocated solely on merit. Most of the water agencies in our annual direct labor market 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. There are two complicating factors to this comparison. There has been significant movement between job classifications (i.e., promotions) that help maintain the mid-range salary positions. The mid-range position has also been subsidized by seven prior years of 1% salary increases implemented to offset the annual 1% transfer of benefit costs to employees.

MWDOC also conducts an annual survey of 20 water utilities as a comparison of proposed salary increases. As is usual for the second draft budget, this comparative information is not yet available from the other utilities but will be provided in the third draft budget.

Given that MWDOC's compensation pool covers both inflation and merit and that it has kept salaries competitive and within ranges over several years, a review of 5-year and 10-year compensation increases and CPI data was conducted to quantify the past practice. The CPI range was a positive 3.80% (2018) to negative 0.78% (2009). Overall the compensation pool can be described as consisting of an inflation component of the CPI plus a merit component of 85% of the CPI. The total 1.85xCPI function appears to be a reasonable calculation for the mid-inflation range (CPI 2.4% to 4.7%) but breaks down at the more extreme ranges of CPI. 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%. Therefore compensation pool formulas were developed for four CPI ranges: high, medium, low, and negative inflation.

The 2020 CPI is 1.64% for the region which is in the 0.0% to 2.4% "low inflation" effective range. Applying the CPI+2% low-inflation range formula to the 1.64% CPI yields a

compensation pool of 3.64% which was used to calculate the employee salary expense increase in the second draft budget.

The Director per diem adjustment is determined by the lesser of the employee increase or 5.0%. This budget has used the 3.64% rate.

## 5. Budget Input from Member Agencies

In December 2020, MWDOC sent a letter to all of its member agencies informing them of the start of the MWDOC FY 2021-22 Budget Process, and invited their formal participation in the process which can include suggestions of activities and general comments. The FY 2020-21 budget year-end projections and the conceptual FY 2021-22 budget were discussed at the January 13, 2021 Administration & Finance Committee meeting as well as the January 21, 2021 MWDOC Member Agencies Managers Meeting. The first draft budget was discussed at the February 10<sup>th</sup> A&F meeting and the February 18<sup>th</sup> Managers meeting. Member Agency input and comment is requested, encouraged and received during each meeting.

Two comment letters have been received from the Orange County Water District (OCWD) and have been forwarded to the MWDOC Board of Directors. Their first letter (December 29, 2020) deals with policy issue priorities to be addressed at MET by MWDOC and not specific aspects of the budget per se. That OCWD letter repeats four policy issues from previous years, as listed below with comments on current status:

- Establish a permanent regional In-lieu program that encourages the storage of additional water during periods when MWD is at risk of losing excess imported water supplies. – This program has already been largely established under the Cyclic Storage Program. This program allows groundwater agencies to take delivery of replenishment water during such periods and pay for it over a multiple-year period. It includes a standing authorization for MET’s General Manager to recommend In-lieu deliveries, with a financial equalization, based on his/her assessment of conditions. As there is a financial expenditure involved, it is unlikely that the program will be modified to be any more “permanent” in nature.
- Modify the Water Supply Allocation Plan rules to include Groundwater Basin Agencies in a more consistent manner. – Heading into the last allocation, groundwater agencies were not included in the allocation process. MWDOC worked with MET and the other MET member agencies to implement the inclusion of groundwater agencies in the allocation. MWDOC will continue to work to achieve “a more consistent manner”. However, this will remain low on the MET priority list due to the immediate issues of concern at MET (IRP, GM hiring, Rate Structure Review), the near record high water storage levels, and the unlikely implementation of the Water Supply Allocation Plan in the next three years. The priority of the WSAP will remain low but will increase somewhat due to this year’s low winter precipitation levels.
- Determine the terms necessary to phase-out the MWD Conjunctive Use Program (CUP) storage agreement. – MWDOC has discussed this issue with MET staff several times and MET has not been interested in phasing-out the program. We will continue to press the issue.

- Obtain MWD’s approval to pump potable water supplies into MWD pipeline facilities. – MWDOC was able to work with MET staff to advance and receive Board approval of a program to allow and facilitate the introduction of non-MET water into MET pipelines during emergency conditions. MWDOC is currently working with MET as the “test case” to develop and implement the various agreements necessary to put this program into effect. This is a significant step towards the broader non-emergency use.

OCWD’s second letter (February 24, 2021) makes three comments on the first draft budget for consideration by the MWDOC Board.

- Further reduce travel and conferences in the end of calendar year 2021
- Consider removal of the AMWA membership and travel expenses
- Review and reduce Cash Reserve amounts

MWDOC staff have reviewed the proposed staff registration and travel budget (Exhibit E). There is a total of six conferences listed from October through December 2021 (American Water Works Association – 3, Association of California Water Agencies – 1, Association of Metropolitan Water Agencies – 1, Colorado River Water Users Association -1). Staff has been monitoring the status of these programs and any potential change to a virtual format. Given the availability and pace of vaccinations, the ongoing return to classrooms and the progress on metrics for business operations, staff believe that these conferences will likely occur as scheduled. Minor expense reductions resulted from the staff review.

The other two items have been referred to the A&F Committee and Board of Directors for review and discussion.

## **6. Key Priorities & Initiatives for FY 2021-22**

### **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, provide water supply reliability, and make imported water available throughout Orange County. In 2021, these remain MWDOC’s primary purposes. Although this mission has taken various forms and has evolved over the decades, the emphasis continues to be MET representation and advocacy on behalf of the retail water districts, 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.

Presentations and discussions of departmental priorities and goals have occurred during the December 2020 through January 2021 period at MWDOC committee meetings. The results of these discussions have been incorporated into the budget. In addition, the MWDOC Board has requested that the subset of those priorities and goals that will be completed in the fiscal year be specifically identified in the budget.

### **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 "**To provide reliable, high-quality supplies from the Metropolitan Water District of Southern California (Metropolitan) and other sources to meet present and future needs, at an equitable and economical cost...**".

Engineering activities include;

- 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,
- analysis and planning for Orange County water reliability,
- coordination of MET's pipeline relining program (particularly the AMP),
- developing the ability and protocols to allow for pumping of local water supplies into the East Orange County Feeder #2 pipeline (EOCF#2) and other pipelines,
- work on integration aspects of potential, future local water supply projects into the regional water distribution system including Poseidon, Doheny and San Juan Watershed projects.

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 seismic retrofit and remodel 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 include:

- analysis of various reliability improvement projects and MET initiatives including; the MET Regional Recycled Water Program (Carson Project), and IRWD's Strand Ranch Project,
- MET's Local Resources Program (LRP),
- water quality issues in the regional distribution system that may impact MWDOC member agencies,
- MET emergency 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,
- Coordination with OCWD in examining opportunities to refill or maintain levels in the groundwater basin.

#### Regional Water Reliability and OC Water Reliability Studies

The completion of the initial OC Water Reliability Study in 2016, which comprehensively evaluated the then current and future water supply and system reliability for all of Orange County, established much of the analysis methodology for supply and system reliability planning in Orange County. As conditions continued to evolve, and understanding of climate and ecosystem changes improved, an updated Study was completed in 2018.

Now in 2021, efforts to further enhance the OC Water Reliability Study continue through updates to water demand forecasts and additional analysis of the economic impacts of drought reductions and catastrophic disruptions (earthquakes) to Orange County's water supplies. Efforts to mitigate these impacts require that Orange County have a credible estimate of the value of water supply reliability to avoid over-investing or under-investing in water supply projects. This additional economic benefits analysis, currently underway, includes quantification of the impacts these circumstances may have on the economy for both residents and businesses. This analysis will provide additional information for decision makers by analyzing the 'willingness to pay' to better quantify how the Orange County community values water supply reliability and the value to Orange County of avoiding reductions or interruption in water supply.

#### FY 2021-22 Activities

For FY 2021-22, the Engineering Department will continue to move a number of efforts forward including:

- Completion of the Administration Building Seismic Retrofit and Remodel Project.
- Coordinating a final agreement/determination of MET's ownership and maintenance responsibilities in the South County Pipeline.
- Initiating a pilot project to develop the necessary protocols with MET and MWDOC member agencies for emergency pump-in of local water supplies into the East Orange County Feeder #2 (EOCF#2).
- Post the MET IRP, completion of the next OC Reliability Study Update.
- Coordinating and facilitating extended shutdowns of the Allen McColloch Pipeline (AMP) for MET's Prestressed Concrete Cylinder Pipe (PCCP) Rehabilitation Project over the next several years.
- Working with MET, OCWD, and other MET member agencies to enhance the Bureau of Reclamation's Salinity Economic Impact Model (SEIM) so it can become a valuable tool for MWDOC member agencies.

Specific objectives to be completed in FY 2021-22 include:

- Complete the Admin Building Seismic Retrofit & Remodel
  - Bring the retrofit & remodel to completion – current completion date is anticipated by November 2021.
- Coordinate a final agreement/determination of MET's ownership and maintenance responsibilities in the South County Pipeline
  - Coordinate efforts with Santa Margarita Water District through discussions and meetings.
  - Conduct meetings with MWDOC counsel and MET Legal staff to understand and frame the legal basis of MET's position on ownership and maintenance responsibilities for the South County Pipeline.
  - Final resolution of this issue is likely a multi-year effort.
- Complete a Pilot Project for Emergency Use of East Orange County Feeder #2 (EOCF#2)
  - Hold meetings and discussions with East Orange County Feeder #2 Joint Powers Authority members concerning member rights and frame member positions on conveying local water in EOCF#2 both for emergency and drought situations.
    - Resolution of these positions may require a court opinion.
  - Hold meetings and technical workshops with MET Water Quality staff to define the framework and workable protocols for using EOCF#2 to convey local water supplies in an emergency and return of the pipeline to MET at the conclusion of the emergency event.
    - Completion of the necessary protocols is likely a multi-year effort.

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

The Metropolitan (MET) Issues and Water Policy Department leads MWDOC's efforts on MET 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 a 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 our member agencies. As it relates to MET 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 MET. Broader water policy issues include the State-wide water conservation regulations (such as the “stress-test”), progress and development of the Delta Conveyance Project, the development of additional regional and local resource projects, and the effects of Colorado River demand management measures.

Department routine functions include:

- Support for the MWDOC-MET Delegation in promoting Orange County objectives;
- To act as the District’s liaison for MET information and water policy issues;
- Collaboration with MET staff on the development and management of programs and policies;
- Collaboration with fellow MET member agencies on MET 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 MET 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 MET & MWDOC’s Water Supply Allocation Plans for times of drought;
- 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 “Stress-Tests”);
- 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 MET and MWDOC member agency’s emergency planning and operations. The Department plays an essential role at both the WEROC Emergency Operations 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.

Beyond the regular functions of the Department listed above, there are particular issues and/or key initiatives that we identify as priorities for the near and mid-term:

Near Term Priorities (1-2 years)

- 2020 MET Integrated Resource Plan - Actively participate in MET’s 2020 Integrated Water Resources Plan (IRP) Update including the development of the Scenario Planning approach and methodology, key assumptions, IRP gap analysis, resource portfolio, and policy issues. This IRP is likely to address serious questions relating to MET’s role & mission along with its business model.
- Selection of a new General Manager at MET – Monitor the key dates and schedule for the Board and member agencies on the selection process for a new MET General Manager.

- MET Rate Refinement – Participate in the development of a new Demand Management Charges as well as review and refine MET’s current rate structure, which may include rebundling the rates and/or additional fixed charges. Per the Board direction, a new Demand Management Charge needs to be in place by end of CY 2021 in order to be incorporated in the Biennial Budget for FY 2021/22 & FY 2022/23.
- Urban Water Management Plans - Update the 2020 Urban Water Management Plans (MWDOC, Member Agencies, and MET), which will include water supply and demand assessments (“Stress-Tests”) and a Water Shortage Contingency Plan section. The UWMPs are required to be submitted to the state by July 1, 2021.
- Regional Resource Project Assessment - Assessments on the cost-benefits of new local and regional resource projects will be conducted on a number of upcoming projects such as MET’s Regional Recycled Water Project in Carson, Southern Nevada Water Authority participating and exchange program with MET in the Carson recycled project, participation in storage programs such as SARCCUP & Strand Ranch, and Desalination Projects.
- Imported Supply Activities - Monitor activities relating to imported supplies, including California Water Resilience Portfolio; Delta Conveyance next steps and analysis of cost estimates; and startup of Colorado River Lower Basin’s new interim guidelines.

Mid-Term Priorities (3-5 years):

- Reliability Goals - Advocate for regional projects and programs that enhance the water reliability for Orange County and Southern California while seeking to ensure MWDOC’s investments are cost effective and meet Orange County’s objectives.
- IRP Implementation - Ensure efficacy of implementation strategies to achieve MET’s 2020 IRP Update reliability goals (for example, the Local Resources Program evaluation criteria).
- Drought Resilience - Seek areas of improvements in MET’s Water Supply Allocation Plan that will result in drought resiliency for Orange County.

Specific objectives to be completed in FY 2021-22 include:

- Establish a new MET Demand Management Charge and advocate for Rate Refinement elements in MET’s current Rate Structure that are fair and equitable to Orange County.
- Analyze and provide recommendations to the upcoming MET Biennial Budget and Rates for FY 2022-23 & FY 2023-24
- Develop MWDOC recommendations on MET’s 2020 Integrated Water Resource Plan (IRP)
- Evaluate the Cost-Benefits of be involved in Local & Regional Projects (Such as SARCCUP & IRWD’s Strand Ranch Storage Programs)
- Monitor and Support the MWDOC MET Directors in the selections of a new General Manager at MET
- Obtain MET’s approval of Santa Margarita Water District’s Las Flores Recycled Water Expansion LRP Application.

## 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. Water Use Efficiency mandates continue to evolve from the 20% by 2020 framework adopted in 2009 to the new efficiency standards-based approach scheduled to begin phasing in with the distribution system water loss standard on July 1, 2021. 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 approximately 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 (USBR). Areas of focus include:

- Aerial Imagery, Landscape Area Measurements and Data Warehousing Project - In preparation for member agency compliance with new Water Use Efficiency Standards contained in Senate Bill 606 and Assembly Bill 1668, staff is implementing an Aerial Imagery, Landscape Area Measurements and Data Warehousing Project in partnership with the Santa Ana River Watershed Project Authority and Southern California Association of Governments. This effort includes all of Orange County and has made significant progress but will not be completed until early FY 2022-23. Aerial imagery has been flown and is currently being processed. This imagery will be forwarded to USBR this summer and will be used to derive residential landscape area measurements for comparison to DWR provided measurements. This imagery will also be used to aid in establishing area measurements for dedicated irrigation meters. This data will be warehoused by way of a centralized aerial image and data management tool for access by individual retail agencies. Agencies can pull this information into their in-house GIS or billing systems or access it as needed from the SAWPA administered data warehouse. This information can be used in a variety of ways including:
  - Water Use Efficiency Standards Compliance
  - Tracking urban landscaping trends
  - Water demand tracking and forecasting
  - Implementation of individualize customer efficiency targets
  - Implementation of Budget Based Tiered Rates
- Orange County Water Use Efficiency Potential & Opportunity Study - Efficient water use in Orange County has been increasing over the past three decades due to evolving plumbing codes and active implementation of a broad variety of Best Management Practices (BMPs). These code-based and BMP achievements have been illustrated by looking at daily per capita water use (GPCD) reductions

over time. According to our SBx7-7 20% by 2020 conservation framework model, Orange County's 1991 municipal and industrial water use was 201 GPCD and by 2020 water use has reduced to 134 GPCD. Consequently, these efforts have resulted in significantly less future efficiency potential remaining in Orange County. MWDOC proposes to implement a Water Use Efficiency Potential and Opportunity Study to explore three primary findings: the water efficiency gains that remain available and where the best opportunities exist in each water use customer sector; compliance with the new Conservation Framework (est. through SB 606 and AB1668); and drought-related conservation opportunities. This study will evaluate both the Absolute Technical Potential (i.e. what can be achieved regardless of cost) and Attainable Potential (i.e. what can be achieved cost-effectively). Providing insight for strategic programmatic planning efforts to pinpoint areas of remaining potential can inform supply reliability planning more broadly than Orange County alone. As this analysis can also benefit regional water use efficiency program planning, staff also plans to engage Metropolitan to support this study both technically and financially.

- 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 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.

#### 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 field activities including meter testing and distribution system leak detection. Orange County is now a state leader in terms of 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 enter its third year. These services will be provided through a combination of Core services currently funded by MWDOC and Choice services funded by participating agencies. Core services include Water Balance Validation, Leak Detection Equipment lending, and state-wide water loss policy monitoring and development. The Choice Shared Services will include Meter Accuracy Testing, Distribution System Leak Detection, Distribution System Pressure Surveys and Distribution System Flushing. These Choice services will be provided by the existing 2.0 FTE MWDOC staff members. Areas of focus include:

- Implement Year III of the Water Loss Control Shared Services
- Continue to convene the Water Loss Control Work Group
- Year VI of the Water Loss Control Technical Assistance will continue in partnership with member agencies and Water Systems Optimization and initiate a request for proposals process to consider technical assistance opportunities beyond our fifth year of implementation.
- Engagement in the State Water Resources Control Board rule making process to establish a volumetric water loss standard called for in SB 555.

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.

Specific objectives to be completed in FY 2021-22 include:

Water Use Efficiency Program – Continue to implement a broad variety of WUE programs, available to all consumers throughout Orange County, with funding support from state and federal grants and Metropolitan Conservation Credits Program.

- Secure grant funding for program implementation.

Technology Transfer & Research – Support Member Agency compliance with WUE regulations by researching new water saving opportunities and communicating those opportunities.

- Conduct a Water Use Efficiency Potential Study to quantify remaining potential for efficiency in Orange County across all customer classes.
- Provide Landscape Area Measurements for dedicated irrigation meters to agencies to assist with compliance.  
Assist all agencies in assigning Standard Industrial Codes (SIC) to businesses throughout OC.

Water Loss Control Shared Services – Increase subscription rate and performance to assist Member Agencies with compliance of emerging water loss regulations.

- Provide services to respond to evolving water loss standards being developed by the State Water Board including Water Balance Validation, Leak Detection, Pressure Surveys, and Meter Accuracy Testing.
- Secure grant funding to offset direct costs to member agencies for shared services and technical assistance.

Water Loss Control Technical Services - Support member agencies by facilitating water loss control technical assistance and compliance with emerging water loss regulations.

- Maintain Water Loss Control Work Group to elevate member agency staff understanding and internal capabilities and to share their needs.

Legislation & Regulatory Process Leadership – Utilize MWDOC’s research efforts and program implementation experience to guide and influence water use efficiency and water loss legislation, regulation, and the standards setting processes.

- Work with DWR and State Water Board to ensure new standards are properly interpreted and are workable.
- Maintain and expand MWDOC’s role in Department of Water Resources and State Water Board working groups including Urban Water Management Plan, Water Loss Control and Water Use Studies, and other technical work groups.

### **Water Emergency Response (WEROC) (Cost Center 25)**

MWDOC provides the administrative umbrella for the Water Emergency Response Organization of Orange County (WEROC) and the WEROC staff are MWDOC employees. 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 to ensure representation 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 took on some unexpected efforts in FY 2020-21; all the while continued 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.

#### Highlights of Activities and Accomplishments for 2020 to date:

- Since the onset of the COVID-19 pandemic, WEROC has been providing on-going support to all agencies,
- WEROC and its consultant, Herndon Solutions Group (HSG) are continuing to work with

WEROC agencies to achieve compliance with America's Water Infrastructure Act (AWIA).

- Completion of the WEROC Program Strategic Assessment Plan. The assessment was a comprehensive review of the current WEROC program, what the future holds and identification for areas of collaboration that can make WEROC a stronger organization over the coming years to benefit all members.
- Development of a new long term Exercise and Training Program Plan integrating new requirements including AWIA, water specific trainings, and development of a long term repeating exercise program incorporating water specific areas.
- Creation and delivery of certified virtual ICS training conducted in-house approved by the State using the State and Federal standards and incorporating water and wastewater specific applications.
- In partnership with the OCIAC, Cyber Security emergency notification secondary and tertiary communication paths for IT personal was created and implemented.
- WEROC is proud of the advocacy we routinely engage in on behalf of the water and wastewater sector and specifically for our Member Agencies. This year on September 26, 2020, the Operational Area Agreement went into effect and with that WEROC is representing the agencies on the Operational Area Executive Board.
- The staff continues to actively partake in discussions regarding the repercussions of the Public Safety Power Shutoff (PSPS) program. WEROC staff continues to work with the County, Southern California Edison and San Diego Gas and Electric specifically to update and coordinate notification and receipt of vital power grid outage information in support of our member agencies. WEROC will continue its coordination efforts with both SCE and SDG&E utilities to improve the overall communications for power outages and priority restoration as required.
- In addition to COVID-19, WEROC staff activated to support member agencies with communication, coordination, and resource needs for the following events in 2020: Demonstrations and Protests in Orange County, August Heat Event and CalSO Stage 3 Power Emergency (Rolling Blackouts), Public Safety Power Shut Off Events, and the Silverado, Blue Ridge and Bond Fires.

Some of WEROC's Key Initiatives for FY 2021-22:

- Maintain WEROC and OC water and wastewater agencies in a state of readiness to respond to emergency situations. Key aspects include staffing, training, exercises, updating plans and procedures.
- Development and implementation of the Regional Cyber Security Coordination Annex as part the WEROC Emergency Operations Plan.
- Continue implementation of the WEROC Assessment Plan
- Completion of the AWIA compliance project and conduct a closeout audit and meeting with participating agencies.
- Continue to build upon the lessons learned from various training, exercises and real events.
- Full implementation of the plan revision schedule.
- Develop, obtain, and implement a new WEROC platform to meet specific needs of the member agencies to securely store, maintain, and disseminate files and information.

- Develop a Logistics Plan that will incorporate how personnel, supplies, and equipment are requested, procured, tracked, and supported within the WEROC Organization.
- Creation of a GIS dashboard allowing for visibility of information in a none-linear form using open source information and current in house mapping information.
- Revision of the Business Continuity Plan to ensure commonality with the WEROC Emergency Operations/Response Plan.
- Work with El Toro Water District (ETWD) and the WEROC funding agencies (including MWDOC) regarding opportunities for upgrading the South EOC facilities.

Specific objectives to be completed in FY 2021-22 include:

Enhance Response Readiness - Maintain WEROC and OC water and wastewater agencies in a state of readiness to respond to emergency situations. Key aspects include staffing, training, and exercises. This priority is the foundation of WEROC to build upon agency resiliency and is on-going.

American Water Infrastructure Act Regional Project – Complete AWIA compliance project.

- Conduct a closeout audit
- Conduct closeout meeting with participating agencies.

Training & Test Exercises – Expand training and test exercise programs to improve the state of readiness.

- Annual Review of the 5-year training and exercise plan
- ICS Training Series 14 classes (FY 2021)
- Continued enhancement of the 5-year training and exercise program by incorporating new requirements including AWIA, on-going ICS trainings offerings (in house), water specific trainings, and development of a long term repeating exercise program incorporating water specific areas.

WEROC South Emergency Operation Center –

- Finalize decision with ETWD regarding South EOC facility by working with funding agencies.
- Analyze other funding opportunities
- Develop multi FY budget allocations
- FY 2021-22 Design and Engineering costs, if project moves forward

Implementation of the WEROC Assessment Report

- Focus on the 3-24 months projects
- Refer to the WEROC Assessment document created 8-20-20

The South Emergency Operations Center project is discussed in more detail in Section 9 - Proposed New Items Not Included Pending Committee Discussion.

## **Public Affairs Department (Cost Centers 32 & 63)**

The MWDOC Public Affairs Department's (Department) charge is to elevate public awareness about critical water issues, showcase the District's activities and programs, and continue to provide opportunities and resources that offer significant value to the region. While the purpose is multifold, the priority is District transparency. The last decade has seen a dramatic shift in the way people receive information. In a world where truth is sacrificed or, in some cases, neglected to win the race of who publishes first, regardless of accuracy, content is available at lightning speed. Today, anyone, no matter their experience or expertise, can disseminate information to the public. With the public's trust of government and the media arguably at an all-time low, water providers are under pressure to prove themselves relevant, trustworthy, and necessary. We continue to garner public trust by communicating value to stakeholders using a wider variety of tools and channels to meet them where they are – online, at community events, in schools, on social media, and through an array of partnerships.

Establishing and maintaining credibility and creating confidence in the District's decisions, expertise, and offerings continue through MWDOC's outreach efforts. Additional support comes from award-winning recognition by reputable local and international organizations for outstanding programs and communications activities. Creating a memorable, meaningful impression with stakeholders and others establishes the trust and credibility needed to place MWDOC in a visible leadership position as the go-to voice for Orange County water.

Over the past few years, the Department has invested significant time, talent, and resources to build and enhance MWDOC's communications tools and programs. A reputable online presence has been established and supported through the District's website and social media platforms. The Department will evaluate the various essential tools, materials, and communications channels currently used and identify gaps or areas for improvement. The annual social media audit, new website auditing tool results, Search Engine Optimization (SEO) effort, upcoming Americans with Disabilities Act (ADA) requirements, along with recommendations provided by current contractors, will drive the progress or shifts needed in these areas.

### **Key Initiatives for Public Affairs 21/22**

#### Imported Water: Delta Conveyance Project & Colorado River Aqueduct

MWDOC will educate stakeholders on the importance of reliable deliveries from the State Water Project and the Colorado River. As FY 2020-21 closes, a series of MWDOC produced videos about the Delta Conveyance Project (DCP) will begin to be published. These videos, featuring MWDOC's Board of Directors, will be available on the District's website and social media, and provided to cable access throughout the MWDOC service area. Another series of videos is planned for production highlighting the challenges facing the Colorado River Aqueduct.

After two well-received water publications in the Sunday Orange County Register in FY 20/21 highlighting the DCP, MWDOC's OC Reliability Study, and other Member Agency projects, traditional print media continues to reach a target audience segment. This tool also allows for the repurposing of published materials for digital distribution. This effort will continue in FY 2021-22.

### Reestablish MWDOC Speakers Bureau

Additionally, when the world starts to reopen, the Department looks to reestablish and formalize the MWDOC Speakers Bureau. Presentations on topics like imported water supplies, emergency response, water use efficiency, and water education, will be formalized, added to the Department event calendar, and incorporated into the Communications Program & Plan. These presentations will be available for the Board of Directors and staff for (virtual and in-person) presentations to be made to various target audiences.

### Education

For FY 2021-22, the Department will invest time and resources towards advancing the District's water education initiatives and implementing environmental literacy – an education strategy that uses the local environment as the context for learning. By guiding students towards a deeper understanding of how social, economic, and civic decisions affect the resources Orange County depends on, sound investments in water infrastructure, resource planning, and good water stewardship will make more sense now and far into adulthood. The Department will examine, evaluate, and amend all District outreach programs and activities that target MWDOC's youngest water users. These programs include the K-12 Choice School Programs, Scouts programs, Water Energy Education Alliance, community events, partnerships, and post-secondary education efforts. MWDOC and education partners such as the Orange County Department of Education, the State Education and Environment Roundtable, and others will reintroduce the environmental literacy rollout plan initially proposed in FY 2020-21. The rollout, whose initial execution was impeded by COVID-19, includes formal instruction and materials for MWDOC Choice School Program contractors and select Orange County teachers and administrators. It is important to note that the Department posted a Request for Proposals (RFP) for Design and Implementation of K-12 Water Education School Program Services in January 2021 to solicit bids for contractors across all K-12 grade levels. K-12 educational programming has been significantly affected by the influence of COVID-19, and a complete review of lesson plans and execution strategy is necessary either with existing or new Choice School Program contractors.

The Water Energy Education Alliance (WEEA) has proven to be an extremely successful endeavor, supported by nearly 60 organizations across the State. These organizations are made up of water, energy, and education leaders working to build and strengthen workforce pathways for high school students in the Energy, Environment, and Utility Sectors (EEU). While this effort reinforces work being done across Southern California, Orange County is a notable beneficiary. New, commanding education and business connections have been made, and working groups are being formed and led through WEEA that are advancing workforce pathways for MWDOC and its 28 member agencies. Additional work is being done to implement environmental literacy guidelines into Career Technical Education programs at the state level, further securing the need and appreciation for water education in high schools.

Partnerships have allowed the Department to grow its resources, substantially extend its reach, and create new MWDOC water ambassadors. The Department will continue to offer programs and materials to reach water users of all ages. These efforts include the Scouts merit badge and patch programs. Through work supporting environmental literacy, the Department will evaluate and refine the materials and activities presented in these programs and the District's Choice School Programs.

MWDOC will continue to promote participation in the Wyland National Mayor's Challenge for Water Conservation; however, to reinforce the new direction of the MWDOC education programs, the incentive will shift from community city parks to school project opportunity. An example of this would be to build an on-site garden where students can study natural phenomena, examine the interconnectivity between humans and nature, and develop real-world solutions to challenges that arise by observing the problems and changes that occur.

Finally, the Department will identify opportunities through these partnerships and others that not only support and advance the goals and mission of the District but also provide value to the region.

#### Additional Member Agency Support

Over the past year, staff have increased participation in industry memberships, training, and certifications, developing additional skills, experience, and acumen in the job's day-to-day responsibilities and demands. Thus, MWDOC has provided professional training opportunities to Member Agency communicators at the bimonthly Public Affairs Workgroup (PAW) meetings to communicate regional messages to various stakeholders effectively. Whether it be a conservation message, responding to a specific water-related piece of legislation, or while in an Emergency Operations Center (EOC) during a disaster, these skills are critically important.

Over the past fiscal year, the Department has spent time evaluating, testing, and revising materials and training opportunities offered to MWDOC Member Agency communications colleagues through PAW. MWDOC provides timely, accurate, trustworthy content and messaging countywide and throughout the State. MWDOC's media/toolkits come complete with a subject overview, sample social media posts, newsletter articles, news releases, letters of support, flyers, and additional content as needed. These kits are created in-house and have proven to be valuable throughout the industry. The Department plans to continue these efforts, expanding upon the materials and resources provided in previous kits such as *COVID-19 – Your Drinking Water is Safe, Emergency Response and Disaster Recovery*, and developing and distributing new kits like *Promoting MWDOC School Programs in Your Service Area and Delta Conveyance Project: Why it's Critical to Southern California*.

#### Water Policy Forums/Dinners

One of MWDOC's hallmark programs, Water Policy Dinners, will also be evaluated and refined. Maximizing relationships with entities such as OCBC, ACC-OC, local chambers, and others, the Department looks to increase event attendance by promoting a specific schedule and speakers/topics planned for the entire fiscal year. With a set schedule and speakers, attendees can calendar accordingly, and staff will be able to plan logistics, promotions, and secure appropriate speakers. This initially was a priority for the previous fiscal year, however, like most everything else, COVID-19 forced a transition to Virtual Water Policy Forums. The Department looks to establish a partnership with another venue to host the more formal dinners when social distance mandates are lifted.

Specific objectives to be completed in FY 2021-22 include:

#### MWDOC Speakers Bureau

- Public Affairs will reestablish and formalize the MWDOC Speakers Bureau. Presentations on topics like imported water supplies, emergency response, water use efficiency, and water education, will be formalized, added to the Department

event calendar, and incorporated into the Communications Program & Plan. These presentations will be available for the Board of Directors and staff for (virtual and in-person) presentations to be made to various target audiences.

#### Promote and Educate on the Importance of Imported Water Supplies

- MWDOC will educate stakeholders on the importance of reliable deliveries from the State Water Project and the Colorado River. As FY 2020-21 closes, a series of MWDOC produced videos about the Delta Conveyance Project (DCP) will begin to be published. These videos, featuring MWDOC's Board of Directors, will be available on the District's website and social media, and provided to cable access (Channel 10) throughout the MWDOC service area. Another series of videos is planned for production highlighting the challenges facing the Colorado River Aqueduct.

#### Refine and Enhance All MWDOC Education Initiatives

- For the 21/22 FY, the Department will invest time and resources towards advancing the District's water education initiatives and implementing environmental literacy – an education strategy that uses the local environment as the context for learning.
- The Department will examine, evaluate, and amend all District outreach programs and activities that target MWDOC's youngest water users. These programs include the K-12 Choice School Programs, Scouts programs, Water Energy Education Alliance, community events, partnerships, and post-secondary education efforts. MWDOC and education partners such as the Orange County Department of Education, the State Education and Environment Roundtable, and others will reintroduce the environmental literacy rollout plan initially proposed in FY 20/21.

### **Governmental Affairs Department (Cost Center 31)**

Governmental Affairs 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 and opportunities.

The department will rely on our local, state, and federal advocates to track, monitor and assist in education outreach on these issues. 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.

The shutdown of the California Legislature last year forced Government Affairs to adopt novel ways to advocate for MWDOC's interests. Lobbying over Zoom and social distancing requirements made for a challenging environment, but we successfully adjusted and achieved important goals despite a variety of setbacks. Given that, one of the most significant accomplishments of 2020 was learning how to be effective in an environment that prevented us from using most of the traditional tools of advocacy. There is no denying that the shutdown impacted our legislative efforts. Below are the highlights of what we achieved in 2020, but there are several pieces of legislation that in any other year would have been on our list of wins. Almost no legislation related to water policy made it to the Governor, and nothing survived that had any real opposition. Despite all that COVID-19 threw at us, we do have the following highlights:

### **Accomplishments for 2020**

- Worked to ensure the \$8.3 Million grant for the South Coast Water District Doheny Beach Desal Project is listed in the Energy and Water Appropriations Bill and the \$11.7 Million grant was listed in the Omnibus Appropriations Bill. This also involved the active participation of the SCWD and Soto Resources.
- Engaged all members of Orange County's Congressional delegation on the FY 2021 appropriations bills.
- Advocated for full funding of critical water programs funded for the Bureau of Reclamation, USACE, Clean/Drinking Water State Revolving Funds, and the WIFIA program.
- Engaged key members of Congress and the US Senate expressing concern about PFAS legislation that could negatively impact MWDOC and its member agencies. Specifically, we highlighted concerns about listing PFAS as hazardous substances under the Superfund CERCLA without an exemption for public water systems. Ultimately, the language was not included in the 2020 National Defense Authorization Act as we advocated.
- Actively engaged on legislation related to wildfires and Public Safety Power Shutoffs (PSPS) that impact water districts.
- Worked with MWDOC staff and OC LAFCO staff on MWDOC's Municipal Service Review and Sphere of Influence update which was unanimously approved by the OC LAFCO Commission.

### **Priorities for 2021**

- Actively engage on issues, legislative and regulatory, that will affect the Delta Conveyance Project.
- Actively engage and advocate for federal funding for the Army Corps of Engineers, the Bureau of Reclamation, the EPA, and WIFIA Programs
- Advocate for the passage of the federal reauthorization of the 2016 WIIN Act and federal funding for the State Revolving Fund loan program (including the CA Drought Relief provisions).
- Advocate for changes in the IRS Code with respect to turf removal programs.
- Continue engagement with Rep. Levin and staff on his Desalination Development Act.
- Continue to work with Rep. Garamendi and staff to ensure special districts are defined in statute and be eligible for future funding distributions.
- Continue advocating for Senator Feinstein's Emergency Wildfire and Public Safety Act, which would ease some regulatory hurdles for forest management projects, such as not requiring a renewed environmental review when new information emerges about potential effects on endangered species – a legislative fix to a court-imposed requirement.
- Advocate for cost effective reliability and local resources projects that benefit Orange County.
- Actively engage on regulations at SCAQMD related to wildfires and Public Safety Power Shutoffs (PSPS) that impact water districts.
- Actively engage on legislation and regulatory proceedings related to Constituents of Emerging Concern (CECs).

- Actively engage on regulations implementing the Low Income Rate Assistance, or “LIRA”, program.
- Actively engage on SB 200 (disadvantaged and noncompliant water systems) implementation.
- Continue our outreach efforts with Orange County’s delegation on the federal, state and local level.

### **Action Items to Help Achieve These Priorities**

- Actively engage on legislation and regulations that will affect the Delta Conveyance Project.
  - Now that WaterFix has become the Delta Conveyance Project, we will need to retrace most of the steps taken to educate the Orange County delegation, including new members, about the need for the project and the implications to water security.
- Actively monitor and engage on regulations related to wildfires and Public Safety Power Shutoffs (PSPS) that impact water districts.
  - After SB 1099 (Dodd) was not enacted at the end of the 2020 legislative session, South Coast Air Quality Management District (SCAQMD) agreed to place a renewed effort on working with stakeholders and updating their regulations that negatively impact water districts using emergency backup generators during a disaster. MWDOC staff and its advocacy team will actively engage with SCAQMD to ensure these regulations honor the legislative intent in SB 1099
  - Legislation related to wildfire liability is in 2021 and will be closely monitored
- Actively engage on regulations and regulatory proceedings related to Constituents of Emerging Concern (CECs).
  - Support administrative and/or legislative proposals that use a science-based approach in developing regulations.
  - Support funding to help public water systems defray cost of monitoring and ensure clean-up costs are borne by the polluters.
  - Outreach and education to the Orange County delegation about potential legislation that could negatively impact MWDOC and our member agencies.
  - Engage on legislation consistent with our policy principles.
- Actively engage on regulations implementing the Low Income Rate Assistance, or “LIRA”, program.
  - A final draft proposal for the LIRA program is said to be under review by the Governor.
  - The main concern on the part of water districts is the preservation of existing programs.
  - Action items include submitting written comments, and testifying should there be further public hearings once the report is released, and possible outreach to key legislators if needed to influence the administration. It is unknown at this time if the report will seek new legislation.
- Actively engage on SB 200 (disadvantaged and noncompliant water systems) implementation.
  - Engage with the working group that has been formed to implement the Safe and Affordable Drinking Water Program.

- Action items include appearing before the workgroup; participate in membership association workgroups, and submitting written material to ensure the grant funds are spent effectively and efficiently.
- Continue our outreach efforts with Orange County's delegation on the federal, state and local level.
  - Meet with new members of the Orange County delegation, new key committee members, and staff.
  - Strengthen outreach with returning members of the Orange County delegation, key committee members and staff.
  - Focus on issue education and advocacy.

Specific objectives to be completed in FY 2021-22 include:

**Delta Conveyance Project –**

- Support administrative and/or legislative proposals, including funding, to keep the project moving forward;
- Defeat hostile legislation
- Remain consistent with policy principles

Goal for 2021:

- Build relationships with NGOs who have similar goals
- Partner with NGOs on other issues (e.g. WaterSMART funding) to enhance relationship building for future
- Meet with and educate new delegation members on the importance of the project

(Federal and State Priority)

Status: Federal and state activities on this issue were not prioritized due to COVID-19. This item remains ongoing

**Public Safety Power Shutoffs –**

- Support funding, if any, for public water systems to mitigate the impacts for PSPS and emergency standby generators
- CMUA/LVMWD and ACWA are sponsoring legislation – language not yet final; hospitals also sponsoring legislation (from 2020)
- Solicit support from other public entities (e.g. public safety) for regulatory proposals made to SCAQMD
- Work collaboratively with other statewide associations such as CSAC and the League of Cities, as well as local agencies to ensure they are supportive

Goal for 2021:

- Actively engage on SCAQMD regulations related to the regular testing and use of emergency standby generators. Expected completion: Summer 2021

(State Priority)

**Safe and Affordable Drinking Water Program –**

- Actively engage with SAFER Advisory Group
- Continue participation with the ACWA/CMUA SB 200 working group
- Monitor/engage with State Board to ensure program is implemented per the direction in SB 200 and appropriated funds are properly spent

Goal for 2021: Continuing discussion will focus on ensuring accurate cost projections for projects. The preference is to have the cost of past projects factored into the analysis.

This work is expected to continue in early 2021. Expected completion/adoption at the State Board: Summer 2021.

(State Priority)

### **Outreach and Education –**

Strengthen outreach efforts to all levels of government and the community:

- Federal, state, and local elected officials
- Members and staff of key policy committees
- MWDOC member agencies: Outreach to/with - government affairs staff members, PAW/Legislative Group Meetings, MWDOC Member Agency Managers Meetings
- MWD and regional agencies
- Statewide organizations (ACWA, CMUA, CSDA, etc.)
- Regional associations (Chambers, etc.)

#### Goal for 2021:

- Meet with each office in the Orange County delegation and key committees on both the state and federal level
  - Focus on:
    - New delegation members (Steel, Kim, Newman, Min, Davies, Nguyen)
    - New members and/or staff of key policy committees
- Participate with regional and statewide organizations monthly  
(Federal, State and Local Priority)

### **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 committee meeting staffing including 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 with improved efficiency;
- 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.

Key initiatives in the coming year include:

- Implement District wide staff training;
- Implement Individual staff training and development;

- Implementation and training of Performance Evaluation Process;
- Succession Planning for upcoming retirements;
- Oversee building remodel improvements;
- Increase Employee Engagement and implement Organizational Values;
- Continue to monitor activities related to COVID-19 and implement policies, as required.

#### MWDOC Building Improvements

Administration, Engineering, and WEROC staff are working together to coordinate multiple improvement projects at the MWDOC Administration Building. Construction efforts began in November 2020 and are anticipated to continue through October 2021. Staff hired ABS Consulting to assist with Owner's Representative services for the various aspects of seismic retrofitting and remodeling of the existing building. As construction moves forward, staff is taking into consideration guidance from the National Institute for Occupational Safety and Health (NIOSH) for controlling exposures to occupational hazards, including infectious disease transmission pathways, brought into focus by COVID-19. Additionally, mandated (administrative) compliance requirements have been implemented for the office environment that will continue when the workforce can safely return to the office. The capital budget reflects previously approved budgeted costs, carryover of unspent capital funds, newly realized costs related to glass partition walls for conference rooms, HVAC improvements to provide additional infectious disease (engineering) controls, and furniture costs for Phase 3 of the remodel.

#### Specific objectives to be completed in FY 2021-22 include:

**Performance Management Process** – Complete design and implementation of new performance management and evaluation system developed with staff input and participation.

Completion: Fall 2021

Status:

- Staff input identified that training is needed on communication and listening skills, conflict management, coaching and feedback and building a workplace of trust.
- Due to the pandemic, in-person all-staff training was delayed and as a result the Performance Management process was also delayed.
- Virtual training sessions will be scheduled for late January/early February.
- Final Roll out and implementation of the Performance Management process to be completed by the Fall of 2021.

**Office Remodel** – Complete the building construction while minimizing disruption and maintaining office productivity.

Completion: Phases 1-3 November 2021 (excluding kitchen area)

Status:

- Administrative Staff has been working closely with Engineering Staff on the building remodel. Engineering is handling all of the technical and engineering aspects of the project and Administration is handling all of the administrative items associated with the project.
- Phase 1 construction started in November 2020 and involved coordination efforts with MWDOC staff in ensuring a successful move out of offices and workstations.

The Administrative team handled the move management and coordinated with IT to ensure computers and phones were successfully relocated.

- Administration also coordinated with the Finance Manager in identifying surplus items and the sale of furniture in ensuring all was completed according to schedule and avoiding construction conflicts.
- Administration also managed vendors in reducing or stopping services due to the remodel.
- In addition, the Board adopted an Administrative Code change to allow the District to participate in Regional Cooperative Agreements, thus allowing the District to obtain reduced pricing for the new office furniture. A vendor was selected for the purchase of office furniture and Phase 1 furniture order has been initiated.
- Staff continues to work with the furniture vendor and the interior designer in selecting materials and colors for the office.

**Succession Planning** – Recruitment, selection and integration of key positions including District Engineer, Water Use Efficiency Supervisor and two Finance positions.

Completion: On-going

Status:

- In preparation for the Assistant GM/District Engineer's retirement, several organizational changes were orchestrated including the transfer and promotion of the Associate Engineer from the MET cost center to the Engineering cost center. Promotions were also implemented for the new Director of Engineering/District Engineer and Assistant General Manager.
- In the Finance Group, Judy Roberts was recruited and hired in July 2020 to allow for training with Mary Snow prior to her retirement at the end of January 2021.
- HR will be working with the Finance Manager and Director of Water Use Efficiency to plan for the retirements of the Sr. Financial Analyst and Water Use Efficiency Supervisor positions. These are anticipated to take place between December 2021 and July 2022.

### **Completion of construction for remaining areas – Kitchen**

Completion: June 2022

Status:

- For FYI 21-22 Capitol Acquisition and Building Expense Budget will include funding for the MWDOC office kitchen remodel.
- This will be the last section of the building that has not been updated.
- The plan is to replace appliances and cabinetry that are 28 years old as well as improve the use of functional space.

### **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 the highest level of firewall protection to prevent threats, viruses and hackers from penetrating our system. In addition, IT provides and maintains properly working office equipment.

Key Initiatives in the coming year include:

- Maintain functional operations and support while staff is working remotely and throughout the building renovations at MWDOC;
- Supporting the succession planning for an upcoming retirement;
- 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;
- Continue training on our new financial software;
- Continue with ongoing professional training;
- IT system security and back up testing;
- Continue to assist staff in maneuvering through our new financial software;
- Support the District with any future financing needs.

Specific objectives to be completed in FY 2021-22 include:

- Succession Planning – Planned retirement of Jeff Stalvey with need for overlapping transition periods
- Training – Enhance skills and knowledge
- Construction – IT to ensure all equipment is installed and working correctly
- IT – Upgrade a Router, Switch, Server and ten PC's

## **7. Core/Choice Programs for FY 2020-21**

As noted above, the Choice Programs for FY 2020-21 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 to 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.
- Water Use Efficiency - Will continue to access MET WUE funding and grants from other sources for implementation programs for OC.
- Water Loss Control Shared Services – This new program was developed in conjunction with our Member Agencies and will enter its third year of field operation.

## **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 developed as part of the 2016 rate study and was implemented by the MWDOC Board of Directors for FY 2016-17. A new rate study is currently being conducted and any changes will be initiated for the FY 2021-22 budget.

### Current Rate Structure

Based on the Proposed Budget and the current rate structure:

For FY 2021-22 the proposed Retail Meter Service Charge is \$12.60 per meter.

For FY 2021-22 the proposed Groundwater Customer Charge is \$572,216.

### Alternative Rate Structures

As the 2021 Rate Study progresses, the impact of alternative rate structures on the Retail Meter Service Charge, the Groundwater Customer Charge, and any other charges will be summarized in the draft budget. These alternative rate structures will be revenue neutral for MWDOC but may represent significant cost differences for some agencies.

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 for FY 2021-22 are budgeted at \$159,262,425.

## **9. Proposed New Items Not Included Pending Committee Discussion**

By convention, proposed new items are not incorporated in the budget until concurrence is reached at the committee level. These items for the Second draft budget are:

### South Emergency Operations Center Summary

#### Summary:

The WEROC Program Assessment has identified different options for improving the South EOC: renovation or new construction. The cost estimates for the two options are conceptual and discussion is ongoing with the WEROC funding agencies and El Toro Water District. Previous Committee discussions seemed to support new construction over renovation but MWDOC's cost share of the building could range from 50% to 100%. A Yes-or-No decision on the project is desired before the final FY 2021-22 budget is passed.

#### Detailed Report:

The South EOC facility was constructed in 1982 and has undergone minor renovations in the intervening years. A facility assessment study conducted in 2016, revealed critical defects requiring further renovation to bring this building up to safety standards. El Toro Water District over the years has partnered with WEROC to allow for the existence of Emergency Operations Center. El Toro Water District is working on moving this project forward as the overall project involves additional on-site

infrastructure. EYWD needs to know the intentions of WEROC regarding the South Emergency Operations Center as it impacts the ETWD project and schedule moving forward.

Additional conversations and planning around the total wrap around costs of the EOC have been analyzed. Add-on expenses not included in the EL Toro Water District Document (Brady) include the electrical shortfall, plumbing and all furniture, fixtures and equipment (FF&E) costs.

Option 1: New Building including structure, soft costs, additional electrical work, and FF&E

	<u>Overall Cost</u>	<u>50/50 Partner</u>
FY21/22: Soft Costs & Site Grading	\$404,219	\$202,109.50
FY22/23: Construction Costs	\$670,391	\$335,109.50
FY23/24: Construction Costs & FF&E*	\$670,391	\$335,195.50
Total Costs	\$1,745,000	\$872,500.50 each agency*

(\* with possible partner agency that can use location as alternate EOC and will have the appropriate connectivity and F&E required)

Option 2: Fix only seismic, roof, generator, electrical on the current structure  
 Estimated renovation cost: \$ 1,125,225

Option 3: Advise El Toro we are unable to move forward jointly, terminate the South Emergency Operations Center Lease Agreement and location.

WEROC is continuing to seek additional funding such as grants and other source funding. At this time, there is no grant opportunities. The plan to move forward is based on if there is no other funding source available.

**Attachments:**

Attached hereto are MWDOC budget schedule and the detailed budget for this coming fiscal year.

**TRABUCO CANYON WATER DISTRICT  
FINANCE/AUDIT COMMITTEE MEETING | APRIL 14, 2021**

**ITEM 10: OTHER MATTERS**

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Other financial matters may have arisen after the posting of the agenda and will be brought forward for discussion and/or information at the time of the Finance/Audit Committee Meeting.

**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 14, 2021**

**FINANCIAL MATTERS  
ITEM 11: FINANCIAL REPORT**

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**A) PRESENTATION OF PRELIMINARY UNAUDITED FINANCIAL STATEMENTS**

The following preliminary unaudited financial statements are included for Committee review:

- Statement of Revenues and Expenses
- Comparative Balance Sheet
- Restricted Assets Report
- Investment Schedule
- Summary of Checking Account Activity

**RECOMMENDED ACTION:**

*Committee to recommend that the Board receive and file the preliminary unaudited financial statements for February 2021 (Consent Calendar).*

**B) BILLS FOR CONSIDERATION**

The total of the bills for consideration will be presented at the time of the April 14, 2021 Finance/Audit Committee Meeting.

**RECOMMENDED ACTION:**

*Committee to approve and ratify the bills for consideration and warrant register and recommend that the Board ratify payment of the Bills for Consideration for April 14, 2021 as presented (Consent Calendar).*

**CONTACTS (staff responsible): PALUDI/PEREA/WARNER**



# Trabuco Canyon Water District

## Statement of Revenues & Expenses

### FY 2020-21 (Unaudited)

	February 2021	January 2021	Current YTD	Annual Budget	67% YTD	Prior YTD
<b>1 Operating Revenue</b>						
2 Residential Water	\$ 221,925	\$ 284,465	\$ 2,596,448	\$ 3,497,400	74%	\$ 2,029,650
3 Business & Industrial Water	8,432	10,015	109,051	150,300	73%	80,207
4 Irrigation Water	42,764	70,719	693,657	823,400	84%	469,262
5 Stand-by	3,417	3,417	27,333	41,000	67%	16,391
6 Sanitation Revenue	150,175	143,267	1,156,704	1,859,400	62%	977,843
7 Recycled & Reclaimed Revenue	26,387	30,090	590,444	725,000	81%	539,127
8 Baker Treatment Plant Water Sales *	120,231	82,984	889,071	1,469,100	61%	700,491
9 Other Operating Revenue	417	307	3,663	164,600	2%	140,658
<b>10 Total Operating Revenue</b>	<b>573,747</b>	<b>625,263</b>	<b>6,066,372</b>	<b>8,730,200</b>	<b>69%</b>	<b>4,953,629</b>
<b>11 Non-Operating Revenue</b>						
12 Property Tax Unrestricted	142,283	142,283	1,138,267	1,707,400	67%	976,500
13 Interest Revenue	7	1,386	27,277	100,600	27%	68,323
14 Development Services	-	-	-	-	0%	100
15 Sale of Fixed Asset	-	-	46,158	50,000	92%	-
16 Other Non-Operating Revenue	9,351	5,071	43,010	70,600	61%	41,949
<b>17 Total Non-Operating Revenue</b>	<b>151,641</b>	<b>148,740</b>	<b>1,254,711</b>	<b>1,928,600</b>	<b>65%</b>	<b>1,086,872</b>
<b>18 Total Revenues</b>	<b>725,388</b>	<b>774,002</b>	<b>7,321,083</b>	<b>10,658,800</b>	<b>69%</b>	<b>6,040,501</b>
<b>19 Operating Expenses</b>						
20 Source of Supply	137,516	174,060	1,663,605	2,198,100	76%	1,322,822
21 Baker Treatment SOS Costs	80,847	83,103	771,892	1,155,300	67%	586,160
22 Water Related Expense	157,404	185,083	1,301,591	1,946,900	67%	1,063,229
23 Sanitation Expense	57,730	197,370	892,431	1,168,400	76%	839,705
24 Recycled Expense	7,395	22,972	154,458	225,300	69%	161,126
25 Reclaimed Expense	20,731	21,067	154,447	221,400	70%	142,099
26 Salaries & Benefits	320,909	296,614	2,382,610	3,684,700	65%	2,025,470
27 OPEB Trust Contributions & Paygo	9,194	7,218	59,115	91,000	65%	52,136
28 Board Expense	9,188	8,813	72,106	114,400	63%	68,251
<b>29 Total Operating Expenses</b>	<b>800,914</b>	<b>996,300</b>	<b>7,452,255</b>	<b>10,805,500</b>	<b>69%</b>	<b>6,260,997</b>
<b>30 Non-Operating Expenses</b>						
31 Principal and Interest Expense	19,198	19,198	153,587	230,300	67%	134,224
32 Non-Operating Expense	2	208	3,424	3,600	95%	4,353
<b>33 Total Non-Operating Expenses</b>	<b>19,200</b>	<b>19,407</b>	<b>157,011</b>	<b>233,900</b>	<b>67%</b>	<b>138,576</b>
<b>Net Income (Loss) Before OPEB,</b>						
<b>34 Depreciation &amp; Capital Contributions</b>	<b>(94,725)</b>	<b>(241,704)</b>	<b>(288,183)</b>	<b>(380,600)</b>	<b>76%</b>	<b>(359,072)</b>
35 WRES Fees for Capital	68,607	68,600	547,981	834,300	66%	491,781
36 Developer Impact Fees	-	-	-	-	0%	-
37 Other Capital Contributions	-	-	-	-	0%	-
<b>38 Total Capital Contributions</b>	<b>68,607</b>	<b>68,600</b>	<b>547,981</b>	<b>834,300</b>	<b>66%</b>	<b>491,781</b>
<b>39 Net Income</b>	<b>\$ (26,118)</b>	<b>\$ (173,103)</b>	<b>\$ 259,798</b>	<b>\$ 453,700</b>	<b>57%</b>	<b>\$ 132,709</b>

*No assurance is provided on these financial statements. The financial statements do not include a statement of cash flows. Substantially all disclosures required by accounting principles generally accepted in the U.S. are not included.*

*\*Baker Treatment Plant O&M revenues and expenses are billed quarterly. As a result the % of budget may appear skewed until billing occurs.*



## Trabuco Canyon Water District Balance Sheet - Comparative As of February 28, 2021 (Unaudited)

	February 2021	January 2021	February 2020
<b>1 Assets</b>			
<b>2 Current Assets</b>			
3 Cash	\$ 634,697	\$ 666,033	\$ 227,448
4 Accounts Receivable, Net	1,840,564	2,072,880	2,647,638
5 Property Tax Receivable	564,500	587,404	535,948
6 Prepaid Expenses	211,843	261,886	210,011
<b>7 Total Current Assets</b>	<b>3,251,604</b>	<b>3,588,204</b>	<b>3,621,046</b>
<b>8 Total Restricted Assets (see Schedule A)</b>	<b>7,563,157</b>	<b>7,563,150</b>	<b>5,072,197</b>
<b>9 Utility Plant</b>			
10 Utility Plant, at Cost	116,012,063	115,840,103	114,434,928
11 Accumulated Depreciation	(73,311,321)	(73,042,332)	(70,488,975)
12 Construction in Progress	4,185,393	3,971,587	2,137,644
<b>13 Total Utility Plant</b>	<b>46,886,135</b>	<b>46,769,358</b>	<b>46,083,597</b>
<b>14 Other Assets</b>			
15 Due from BTP	1,214,535	1,246,297	1,589,919
16 Deferred Outflow (Pension Related)	1,179,514	1,179,514	1,126,151
<b>17 Total Other Assets</b>	<b>2,394,049</b>	<b>2,425,811</b>	<b>2,716,070</b>
<b>18 Total Assets</b>	<b>\$ 60,094,946</b>	<b>\$ 60,346,523</b>	<b>\$ 57,492,911</b>
<b>19 Liabilities &amp; Retained Earnings</b>			
<b>20 Current Liabilities</b>			
21 Accounts Payable	\$ 1,226,393	\$ 1,011,625	\$ 972,766
22 Due to Internal Financing Fund	1,214,535	1,246,297	1,589,919
23 Accrued Expenses	478,003	418,108	325,788
24 Deferred Property Tax Revenue	582,800	728,500	567,367
<b>25 Total Current Liabilities</b>	<b>3,501,732</b>	<b>3,404,529</b>	<b>3,455,840</b>
<b>26 Liabilities to be Paid from Restricted Assets</b>			
27 Accrued Bond Interest	8,487	4,243	9,158
28 Current Portion-Long Term Debt	178,449	178,449	172,473
29 Refundable Deposits	9,500	13,500	7,500
30 Developer Deposits	73,108	75,590	265,185
<b>31 Total Liabilities to be Paid from Restricted Assets</b>	<b>269,543</b>	<b>271,782</b>	<b>454,316</b>

\*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 - Comparative**  
**As of February 28, 2021**  
**(Unaudited)**

32	<b>Long Term Debt</b>			
33	Accrued Post Employment Benefits	533,587	533,587	570,267
34	Accrued Pension Liability	3,301,860	3,301,860	3,089,532
35	State Revolving Fund Loan	2,140,052	2,140,052	2,320,470
36	<b>Total Long Term Debt</b>	<b>5,975,499</b>	<b>5,975,499</b>	<b>5,980,269</b>
37	<b>Total Liabilities</b>	<b>9,746,774</b>	<b>9,651,811</b>	<b>9,890,425</b>
38	<b>Fund Balance</b>			
39	Invested in Capital Net of Related Debt	44,559,148	44,446,614	43,581,496
40	Restricted for Debt Service	231,092	231,085	207,263
41	Legally Restricted	3,810,547	3,808,062	2,064,293
42	Designated by Board	3,402,609	3,402,609	2,360,180
43	Unrestricted	(1,655,225)	(1,193,659)	(610,747)
44	<b>Total Fund Balance</b>	<b>50,348,172</b>	<b>50,694,713</b>	<b>47,602,486</b>
45	<b>Total Liabilities and Fund Balance</b>	<b>\$ 60,094,946</b>	<b>\$ 60,346,523</b>	<b>\$ 57,492,911</b>

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**Trabuco Canyon Water District**  
**Restricted Assets Report**  
**As of February 28, 2021**  
**(Unaudited)**

	February 2021	January 2021	February 2020
<b>1 LAIF Accounts (at Cost)</b>			
2 Internal Financing	\$ (1,180,192)	\$ (1,236,026)	\$ (3,919,586)
3 Capital Improvement Charges	-	-	491,943
4 Water Storage Facilities	1,051,427	1,051,427	1,051,427
5 Sanitation Capital Improvement	39,783	129,985	691,366
6 WRES - Rose Canyon/Lang Wells	1,212,259	1,177,637	1,131,324
7 WRES - Reservoir/Distribution Improvements	2,610,892	2,608,662	2,542,467
8 RD#5	76,378	76,378	75,353
9 Developer Deposits	-	-	73,940
10 LAIF Interim Sewage	118,908	121,393	109,098
11 Water Rate Stabilization Funds	684,080	684,080	607,500
12 Sewer Rate Stabilization Funds	726,160	726,160	265,000
13 Working Capital Funds	1,975,776	1,975,776	1,733,144
14 Market Value Over/(Under) Cost	16,593	16,593	11,960
<b>15 State Revolving Fund</b>			
16 Cash in CB&T Reserved for SRF Loan	231,092	231,085	207,263
<b>17 Total Restricted Assets</b>	<b>\$ 7,563,157</b>	<b>\$ 7,563,150</b>	<b>\$ 5,072,197</b>

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**Trabuco Canyon Water District**  
**Investment Schedule**  
**As of February 28, 2021**  
**(Unaudited)**

DESCRIPTION	RATE	COST	MARKET	% OF TOTAL
<b>District Investments in the California Local Agency Investment Fund (LAIF)</b>				
1 Water Storage Fees	0.407%	\$ 1,051,427	\$ 1,053,386	14%
2 Sanitation Capital Improvement	0.407%	39,783	39,857	1%
3 Trabuco Creek Wells	0.407%	1,212,259	1,214,519	17%
4 Reservoir/Distribution	0.407%	2,610,892	2,615,759	36%
5 RD#5	0.407%	76,378	76,520	1%
6 LAIF Interim Sewage	0.407%	118,908	119,130	2%
7 Water Rate Stabilization Funds	0.407%	684,080	685,355	9%
8 Sewer Rate Stabilization Funds	0.407%	726,160	727,514	10%
9 Working Capital Funds	0.407%	1,975,776	1,979,459	27%
10 Internal Financing	0.407%	(1,180,192)	(1,182,392)	-16%
<b>Total District Investments</b>		<b>\$ 7,315,471</b>	<b>\$ 7,329,107</b>	<b>100%</b>

*\* A negative number indicates the use of reserves to fund operations.*

*\*\* Market values are adjusted on a quarterly basis and recorded in the District's financials statements at the end of each quarter.*

**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 Government Code Sections 53646(b)(2) and (3), respectively.

***Cindy Byerrum, CPA***

***Contract CPA and Treasurer***

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## Trabuco Canyon Water District Checking Account Activity February 2021 (Unaudited)

<b>Inflows</b>	<b>Current Month</b>	<b>Year to Date</b>
Utility Billing Collections	\$ 632,249	\$ 5,782,943
Tax Receipts	22,902	1,204,214
Transfer From LAIF	-	1,600,000
FEMA Reimbursement	-	2,528,981
Miscellaneous	165,260	5,329,933
<b>Total Inflows</b>	<b>820,412</b>	<b>16,446,071</b>
<b>Outflows</b>		
Vouchers	717,705	7,338,124
Payroll	207,258	2,000,483
Transfer to LAIF	-	5,500,000
Transfer/payments for State Loan	-	121,191
Miscellaneous & Online Payments	162,416	1,870,538
<b>Total Outflows</b>	<b>1,087,379</b>	<b>16,830,336</b>
<b>Net Change in Checking Account</b>	<b>(266,968)</b>	<b>(384,265)</b>
<b>Beginning Checking Account</b>	<b>938,121</b>	<b>1,055,418</b>
<b>Ending Checking Account</b>	<b>\$ 671,153</b>	<b>\$ 671,153</b>

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