



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

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
Jason Stroud, Maintenance Superintendent
Karen Warner, Principal Accountant
Lisa Marie Sangi, Executive Assistant

PUBLIC PRESENT VIA CONFERENCE CALL

Cindy Byerrum, District Treasurer (Eide Bally LLP)

CALL MEETING TO ORDER

Director Chadd called the April 14, 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

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

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 on the report.

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RECOMMENDED ACTION:

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

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

Mr. Paludi introduced this matter for Committee consideration, and he reported that Ms. Byerrum requested proposals from six accounting firms in February 2021. Ms. Byerrum reported that four firms responded to the RFP, and she provided a brief overview of the proposals. Ms. Byerrum recommended Nigro & Nigro LLP for the District's independent auditing services based on the proposed lower cost of services for three consecutive fiscal years. Discussion occurred concerning the qualifications of each firm and reasons why the District's independent auditor did not submit a proposal for consideration; Ms. Byerrum commented that Nigro & Nigro's pricing was very competitive and may have contributed to their decision to not provide a proposal.

RECOMMENDED ACTION(S):

The Committee recommended 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

Mr. Paludi presented this matter for Committee review, and he provided a brief overview of Assembly Bill (AB) 1434 as presented by Assemblymember Laura Friedman (D, Glendale). Mr. Paludi reported that this proposed legislation is opposed by the Association of California Water Agencies (ACWA) and a majority of the member water agencies. Mr. Paludi commented on the current adopted State conservation framework, including indoor and outdoor standards, and he mentioned that AB 1434, if adopted, would lower the standard from the planned 50 gallons per capita per day (GPCD) to 40 GPCD. Mr. Paludi recommended the Board adopt an "Oppose" position on this proposed legislation and author a letter indicating such.

RECOMMENDED ACTION:

The Committee recommended the Board of Directors adopt an "OPPOSE" position on AB 1434 [Friedman] (Action Calendar).

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

Mr. Paludi introduces this item for Committee review, and he provided a brief overview of District Operation's Field Vehicle Fleet needs due to the recent disposal of surplus equipment that had reached their end of life. Mr. Stroud reported a shortage of two fleet vehicles in the Operations department, and he presented quotes for two new trucks for Committee review and consideration. Discussion occurred concerning the global market impacts on vehicle manufacturing and availability. Mr. Stroud recommended the Board of Directors authorize the General Manager to purchase the two vehicles for the District's Field Vehicle Fleet.

RECOMMENDED ACTION(S):

The Committee recommended that the Board of Directors authorize the General Manager to purchase two District fleet vehicles for a total amount not-to-exceed \$80,000 (Action Calendar).

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

Mr. Paludi introduced this matter for Committee consideration, and he reported on the overall financial impacts of COVID-19 to the District, including the Governor’s Executive Order prohibiting water service shut-offs due to non-payment. Mr. Paludi reported that the District has voluntarily suspended past due charges since the beginning of the pandemic, but that the District’s internal data does not indicate that unpaid balances are driven by pandemic impacts. Ms. Warner provided a review of the average number of past due accounts during and pre-pandemic, and she reported that there was no significant increase. Mr. Paludi added that District staff propose offering extended payment plan options to these customers in order to minimize the overall impact of past due balances. The Committee recommended forwarding this matter to the Board for further discussion and consideration.

RECOMMENDED ACTION(S):

The Committee recommended forwarding this matter for Board consideration and review (Action Calendar).

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

Ms. Byerrum presented this matter for Committee review, and she provided a brief review of the financial benefits establishing a Section 115 Pension Trust. Ms. Byerrum mentioned that this type of Trust is similar to the existing Other Post-Employment Benefits (OPEB) Trust the District set up with California Public Employees Retirement System (CalPERS) California Employers’ Retiree Benefit Trust (CERBT) in 2013. Mr. Paludi reported that District staff and Ms. Byerrum interviewed potential fund managers, including Public Agency Retirement Service (PARS) and CalPERS. Ms. Byerrum recommended the Board adopt a Pension Trust Funding Policy and establish a Pension Trust to reserve funds to absorb potential future pension costs associated with market volatility. Discussion occurred concerning financial security and overall risks associated with Pension Trusts. Mr. Paludi added that District staff will bring more information to the following Committee Meeting for review and consideration.

RECOMMENDED ACTION(S):

The Committee received the information. No action was taken.

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

Mr. Paludi introduced this matter for Committee review, and he commented that the District is a member of the Santiago Aqueduct Commission (SAC). Mr. Paludi reported that the fiscal year budgets for years ending 2022 and 2023 were approved at the SAC March 2021 Quarterly Meeting and that the District’s portion of costs associated with the capital repairs to the Baker Pipeline Relocation Project is approximately 8.15% or \$68,583. Mr. Paludi added that the total portion due for FYE 2022 is \$81,796, and for FYE 2023 is \$13,241 due to no planned capital improvements that year. Director Chadd commended Irvine Ranch Water District (IRWD) on their management of the Baker Pipeline. Discussion occurred concerning District reserves for capital improvements associated with participation in joint power associations.

RECOMMENDED ACTION(S):

The Committee receive the information. No action was taken.

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

Mr. Paludi presented this matter for Committee review, and he presented the Municipal Water District of Orange County (MWDOC) FY 2021-22 Second Draft Budget for Committee review and consideration. Mr. Paludi reviewed the proposed budgetary changes from the current year, including the Retail Meter Charge increase based on the

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results of a rate study performed by Raftelis Financial Consultants. Discussion occurred concerning certain rates and charges proposed for FY 2021-22 and the potential for pass-through charges to District customers to cover these costs. Mr. Paludi added that the MWDOC Board of Directors have agendized this matter for consideration and adoption at their Regular Board Meeting the following week. Director Chadd recommended agendizing this matter for District Board consideration at the following Regular Board Meeting.

RECOMMENDED ACTION(S):

The Committee recommended forwarding this matter for Board consideration and review (Action Calendar).

ITEM 10: OTHER MATTERS

Mr. Paludi reported that District staff are currently evaluating municipal fund advisors for issuing bonds consistent with the Board-approved 2020 Water, Wastewater, and Recycled Water Rates and Charges Study. The Committee recommended forwarding this matter to the Board for consideration.

Director Chadd reported on his attendance at the recent Community Associations of Rancho (CAR) meeting, and he highlighted the City of Rancho Santa Margarita staff presentation concerning the potential impacts of the State's Regional Housing Needs Assessment (RHNA) requirements and timelines. Discussion occurred concerning the potential impacts to the District's ability to provide services consistent with its Master Plan despite the construction of Accessory Dwelling Units (ADUs) that may exceed individual water allocation.

RECOMMENDED ACTION:

The Committee recommended forwarding this matter for Board consideration and review (Action Calendar).

ITEM 11: FINANCIAL REPORT

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

STATEMENT OF REVENUES AND EXPENSES

Operating Revenue, Residential Water

Ms. Warner reported that this line item was lower than the prior month, but that it was trending 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 lower than the prior month due to less irrigation water usage.

Operating Revenue, Baker Treatment Plant Water Sales

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

Operating Expenses, Total Operating Expenses

Ms. Warner reported that this line item was lower than the prior month due to overall lower expenses and was trending close to budget.

BALANCE SHEET - COMPARATIVE

Utility Plant, at Cost

Ms. Warner reported that this line item was higher than the prior month due to project costs associated with repairs at the Robinson Ranch Wastewater Treatment Plant and Golf Club Sewer Lift Station.

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RESTRICTED ASSETS REPORT & INVESTMENT SCHEDULE

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

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 April 14, 2021 as presented (Consent Calendar).

ADJOURNMENT

Director Chadd adjourned the April 14, 2021 Finance/Audit Committee Meeting at 2:01 PM.