



**TRABUCO CANYON WATER DISTRICT
FINANCE/AUDIT COMMITTEE MEETING RECAP | APRIL 13, 2022**

DIRECTORS PRESENT

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

STAFF PRESENT

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

CONSULTANTS PRESENT

Ian Berg, Eide Bally LLP
Kristi Even, Eide Bally LLP

PUBLIC PRESENT VIA CONFERENCE CALL

None

CALL MEETING TO ORDER

Director Mandich called the April 13, 2022 Finance/Audit Committee Meeting to order at 1:01p.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

Mr. Paludi reported that District staff and select Board members participated in a tour of the V.P. Baker pipeline construction and Irvine Lake spillway project hosted by Irvine Ranch Water District (IRWD).

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(S)

Director Mandich and Mr. Perea approved the March 9, 2022 Finance/Audit Committee Meeting Recap(s) and recommend that the Board receive and file the same (Consent Calendar).

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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 Chadd confirmed certain meeting attendance updates to his schedule.

RECOMMENDED ACTION:

The Committee recommended that the Board ratify the Directors' fees and expenses for February 2022 and tentative future meetings/attendance as amended. (Action Calendar)

ITEM 3: DISTRICT FINANCIAL ANALYSIS AND RATE STUDY CONTRACT AWARD

Mr. Paludi introduced this matter for Committee consideration, and he reported that District staff issued a Request for Proposals (RFP) for a financial analysis and rate study to multiple select firms. Mr. Paludi reported that District staff shortlisted two firms IB Consulting and RDN for interviews and selected IB Consulting for the project. Discussion occurred concerning the proposals received and proposed total number of hours for the project.

RECOMMENDED ACTION:

The Committee recommended the Board of Directors authorize the General Manager to execute an agreement with IB Consulting for a Financial Analysis and Rate Study for \$97,620 plus a 10% contingency of \$9,762, for a total not-to-exceed amount of \$107,382 (Action Calendar).

ITEM 4: DISTRICT EXPENSE REIMBURSEMENT POLICY AND PROCEDURES UPDATE

Mr. Paludi introduced this matter for Committee review, he reported this matter was reviewed with the Executive Committee. Mr. Perea provided an overview of the original policy which General Counsel and District staff recommend bifurcating into two separate policies, and he reviewed the proposed Expense Reimbursement policy for Committee consideration. Discussion occurred concerning certain language related to personal damages incurred during the course of District business.

RECOMMENDED ACTION:

The Committee recommended the Board of Directors approve the proposed Expense Reimbursement Policy and Procedures Update and rescind the Expense Reimbursement Guidelines approved on January 17, 1996 (Action Calendar).

ITEM 5: DISCUSSION CONCERNING MUNICIPAL WATER DISTRICT OF ORANGE COUNTY PROPOSED FISCAL YEAR 2022/2023 RATES, CHARGES, AND BUDGET

Mr. Paludi presented this matter for Committee consideration, and he reported that Municipal Water District of Orange County (MWDOC) is prepared to adopt their DRAFT Fiscal Year 2022/2023 Rates, Charges, and Budget. Mr. Paludi highlighted certain budgetary changes between the second and third draft budgets, including the impacts on reserves, total rates and charges adjustments, and the potential impact of future rate increases from Metropolitan Water District of Southern California. Mr. Paludi reported that MWDOC reported on a completed survey of member agency planned efforts to address inflation impacts on employee salaries, and he reported that District staff is currently evaluating similar impacts on the District's proposed salaries and benefits budget for next fiscal year.

RECOMMENDED ACTION:

Committee to receive information and make recommendation(s) as deemed appropriate.

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ITEM 6: DISCUSSION CONCERNING DISTRICT PROPOSED FISCAL YEAR 2022/2023 GENERAL FUND AND CAPITAL IMPROVEMENT PROJECT (CIP) BUDGET ASSUMPTIONS

Mr. Paludi introduced this matter for Committee review, and he mentioned that District staff have been preparing a proposed FY 2022/2023 budget for Board consideration. Mr. Perea provided a brief review of the proposed general fund budgetary assumptions, and he requested any input related to the assumptions. Discussion occurred concerning fuel, inflation, and professional services assumptions. Mr. Perea briefly commented on the potential impact of lower water sales due to conservation efforts statewide, and he reported that District staff will present the proposed CIP budget the following month.

Mr. Berg recommended the Committee consider implementing a policy that establishes an acceptable range for periods of uncertain inflationary impacts which can help control expenses over the long term.

RECOMMENDED ACTION:

The Committee received the information. No action was taken.

ITEM 7: DISCUSSION CONCERNING GOLF CLUB SEWER LIFT STATION REPAIRS & IMPROVEMENTS

Mr. Paludi introduced this matter for Committee consideration, and he mentioned that this matter was reviewed by the Engineering/Operational Committee. Mr. Perea provided an overview of the work performed to date at this facility, and he reported that District staff is withdrawing the recommended action after discussing this matter more fully with Operations and Maintenance staff. Mr. Perea commented that District staff prefers to re-evaluate the planned pump improvements, including the guide-rail system, and that more information may be presented at the time of the Board meeting.

RECOMMENDED ACTION:

The Committee received the information. No action was taken.

ITEM 8: OTHER MATTERS

There were no comments received.

RECOMMENDED ACTION:

There was no action taken.

ITEM 9: FINANCIAL REPORT

Mr. Berg presented the preliminary unaudited financials for February 2022, and he highlighted the following items:

Operating Revenue, Residential Water

Mr. Berg reported that water demand for the month was higher than the prior month.

Operating Revenue, Irrigation Water

Mr. Berg reported that this line item was higher than the prior month, and the year to date was significantly higher than budgeted due to increased demand.

Operating Revenue, Recycled & Reclaimed Water

Mr. Berg reported that water demand for the month was higher than the prior month due to increased demand.

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Operating Revenue, Baker Treatment Plant Sales

Mr. Berg reported that this line item was lower than the prior month.

Operating Expenses, Source of Supply

Mr. Berg reported this line item was higher than the prior month due to costs associated with increased purchased water to meet demand.

Mr. Berg reported that overall revenue is slightly lower than budgeted, but that overall expenses are tracking as budgeted. Mr. Berg cautioned the Committee to monitor District reserves, and recommended the start of the Financial Analysis and Rates Study.

RECOMMENDED ACTION:

The Committee recommended the Board of Directors receive and file the preliminary unaudited financial statements for February 2022 (Consent Calendar).

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 13, 2022 as presented (Consent Calendar).

ADJOURNMENT

Director Mandich adjourned the April 13, 2022 Finance/Audit Committee Meeting at 2:00p.m.