



TRABUCO CANYON WATER DISTRICT FINANCE/AUDIT COMMITTEE MEETING RECAP | FEBRUARY 8, 2024

DIRECTORS PRESENT

Don Chadd, Committee Chair
Glenn Acosta, Committee Member

STAFF PRESENT

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

CONSULTANTS PRESENT

None

PUBLIC PRESENT

None

CALL MEETING TO ORDER

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

VISITOR PARTICIPATION

No visitor participation was received.

ORAL COMMUNICATION

No oral communication was received.

COMMITTEE MEMBER COMMENTS

None

REPORT FROM THE GENERAL MANAGER

None

ITEM 1: FINANCE/AUDIT COMMITTEE MEETING RECAP

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

- MOTION:** Approve the Finance/Audit Committee Meeting Recap and recommended that the Board receive and file the same as amended (Consent Calendar) – Director Chadd
- SECOND:** District Secretary Mr. Perea
- AYES:** Director Chadd & Mr. Perea
- NOES:** None
- ABSTAIN:** None
- MOTION PASSED/FAILED:** Passed 2-0

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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. Discussion occurred concerning meeting frequency and occurrences. Mr. Perea indicated that staff has received corrections from Director Mandich after the posting of the agenda, and that the corrections will be reflected in the updated report at the Regular Board Meeting. Director Acosta requested that his schedule be amended to reflect that there was no City of Rancho Santa Margarita Planning Commission meeting in January.

MOTION: Recommend the Board of Directors ratify the Directors' fees and expenses for January 2024 and tentative future meetings/attendance as amended (Action Calendar) – Director Acosta

SECOND: Director Chadd

AYES: Directors Acosta & Chadd

NOES: None

ABSTAIN: None

MOTION PASSED/FAILED: Passed 2-0

ITEM 3: DISCUSSION CONCERNING OTHER POST-EMPLOYMENT BENEFITS (OPEB) BIENNIAL ANNUAL VALUATION REPORTING FOR CERBT TRUST FUNDING

Mr. Perea presented this matter for Committee consideration, and he reported that the District is obligated under the Governmental Accounting Standards Board (GASB) to prepare a biennial actuarial valuation of the District's Other Post-Employment Benefits (OPEB) in order to comply with GASB 74 & 75. Mr. Perea stated that the District withdrew approximately \$160,000 from the trust last year to cover retired employee benefits and noted that the trust was currently funded at 90% and performing well. Mr. Perea reported that Total Compensation Systems, Inc. prepared the District's last report in 2022 and that their quoted fee includes a 10% discount.

MOTION: Recommend the Board of Directors authorize the General Manager to contract with Total Compensation Systems, Inc. for GASB 74/75 Biennial Annual Valuation Reporting for \$5,400 (Action Calendar) – Director Acosta

SECOND: Director Chadd

AYES: Directors Acosta & Chadd

NOES: None

ABSTAIN: None

MOTION PASSED/FAILED: Passed 2-0

ITEM 4: OTHER MATTERS

Mr. Paludi presented the following matters for Committee consideration:

Rate Study

Mr. Paludi reported that in accordance with the adopted 2023 Rate study the District will issue new debt to pay off the short-term debt obligation as well as provide new funding for capital projects until they can be funded from current revenues. Mr. Paludi stated that the District has contracted with IB Consulting to evaluate the performance of the rate increases in FY 2023-24 and to determine whether they can be restructured to minimize impact on our customers. Mr. Paludi added that the debt will need to be issued before the end of the current fiscal year.

MOTION: None – Informational item only.

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ITEM 5: FINANCIAL REPORT

Ms. Warner presented the preliminary unaudited financials for December 2023, and she indicated that the format has been updated to show expenses by separate fund. Ms. Warner additionally prepared a Budget to Actual Summary of All Funds for FY23/24 for the Committee's review. The Committee requested that this summary be added to future financial reporting packets. Ms. Warner highlighted the following items:

WATER FUND

Total Operating Revenue

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

Total Source of Supply

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

Total Salaries & Benefits

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

Total Transmission & Distribution

Ms. Warner reported that this line item was trending higher than the year-to-date amount due to increased water quality testing.

Total General & Administrative

Ms. Warner reported that this line item was trending higher than the year-to-date amount due to the timing of insurance payments at the beginning of the fiscal year.

Net Total Unrestricted Cash Inflow/(Outflow)

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

District Capital – Water

Ms. Warner reviewed the capital improvement costs accrued in December 2023, including costs associated with PRV and Valve Replacements.

SEWER FUND

Total Operating Revenue

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

Total Salaries & Benefits

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

Net Total Unrestricted Cash Inflow/(Outflow)

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

District Capital – Sewer

Ms. Warner reviewed the capital improvement costs accrued in December 2023, including costs associated with Golf Club Sewer Lift Station.

RECYCLED WATER FUND

Total Operating Revenue

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Ms. Warner reported that this line item was trending higher than budgeted due to increased recycled water sales earlier in the fiscal year.

Total Source of Supply

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

Total Salaries & Benefits

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

Total Transmission & Distribution

Ms. Warner reported that this line item was trending higher than the year-to-date amount due to system repairs.

Total General & Administrative

Ms. Warner reported that this line item was trending higher than the year-to-date amount due to the timing of insurance payments and certification renewals.

Net Total Unrestricted Cash Inflow/(Outflow)

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

District Capital – Sewer

Ms. Warner reported that there were no capital improvement costs accrued in December 2023.

Mr. Paludi reported that the District has contracted with Ralph Anderson & Associates to perform an updated total compensation survey as the previous survey was completed three years prior. Mr. Paludi added that additional information will be reviewed in a following meeting.

MOTION: Recommend the Board ratify payment of the bills for consideration for February 8, 2024 as presented (Action Calendar) – Director Acosta

SECOND: Director Chadd

AYES: Directors Acosta & Chadd

NOES: None

ABSTAIN: None

MOTION PASSED/FAILED: Passed 2-0

ADJOURNMENT

Director Chadd adjourned the February 8, 2024 Finance/Audit Committee Meeting at 8:31 a.m.