



**TRABUCO CANYON WATER DISTRICT
FINANCE/AUDIT COMMITTEE MEETING RECAP | AUGUST 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

CONSULTANTS PRESENT

None

PUBLIC PRESENT

None

CALL MEETING TO ORDER

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

VISITOR PARTICIPATION

No visitor participation was received.

ORAL COMMUNICATION

No oral communication was received.

COMMITTEE MEMBER COMMENTS

None

REPORT FROM THE GENERAL MANAGER

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: Director Acosta

AYES: Directors Chadd & Acosta

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.

- MOTION:** Recommend the Board of Directors ratify the Directors' fees and expenses for July 2024 and tentative future meetings/attendance (Action Calendar) – Director Chadd
- SECOND:** Director Acosta
- AYES:** Directors Chadd & Acosta
- NOES:** None
- ABSTAIN:** None
- MOTION PASSED/FAILED:** Passed 2-0

ITEM 3: DISCUSSION CONCERNING TRABUCO CANYON WATER DISTRICT'S BUSINESS SYSTEM SERVER REPLACEMENT PROJECT – PHASE ONE

Mr. Paludi presented this matter for Committee consideration, and he reported that this matter was an approved Capital Improvement Project (CIP) for Fiscal Year 2024-25. Mr. Perea provided a brief overview of the District's current business system which was upgraded in 2016 and has maximized storage capacity. Mr. Perea reported that staff has worked with the District's independent, third-party IT manager, Highroad IT, to plan for the replacement of the system over the next two years, and he reviewed the project proposal and associated costs. Mr. Perea mentioned that CalOES (California Office of Emergency Services) announced a \$23M cybersecurity grant opportunity for agencies statewide, and he stated that staff will meet with the grant writing staff to determine if the project meets the minimum requirements.

- MOTION:** Recommend the Board of Directors authorize the General Manager to approve the Server Replacement Project Quote No. TCWD24-0726A from Highroad IT in the amount of \$99,648 (Action Calendar) – Director Chadd
- SECOND:** Director Acosta
- AYES:** Directors Chadd & Acosta
- NOES:** None
- ABSTAIN:** None
- MOTION PASSED/FAILED:** Passed 2-0

ITEM 4: DISCUSSION CONCERNING TRABUCO CANYON WATER DISTRICT'S HEALTH BENEFIT COSTS FOR CALENDAR YEAR 2025

Mr. Paludi presented this matter for Committee consideration. Mr. Perea reported that CalPERS has released the health benefit rates for calendar year 2025, and he reviewed the rates with the Committee. Mr. Perea added that the Board adopted a health determination methodology by resolution in June which limits the District's health benefit contribution for employees to 90% of the highest enrollment PPO plan, including the enrollment of family members, and he reviewed the employer and employee contribution levels and projected budgetary impacts with the Committee. Discussion occurred concerning CalPERS open enrollment period.

- MOTION:** Recommend the Board of Directors adopt the approved employer health benefit contribution by resolution effective January 1, 2025, consistent with District policy (Action Calendar) – Director Chadd
- SECOND:** Director Acosta
- AYES:** Directors Chadd & Acosta
- NOES:** None

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ABSTAIN: None

MOTION PASSED/FAILED: Passed 2-0

ITEM 5: FINANCIAL REPORT

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

WATER FUND

Total Operating Revenue

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

Total Source of Supply

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

Total Salaries & Benefits

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

Total Transmission & Distribution

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

Total General & Administrative

Ms. Warner reported that this line item was trending higher than budgeted due to the timing of insurance payments and increased public outreach costs for the year.

Net Total Unrestricted Cash Inflow/(Outflow)

Ms. Warner reported that this line item trended a positive increase of water reserves for the year in accordance with the rate study.

District Capital – Water

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

SEWER FUND

Total Operating Revenue

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

Total Salaries & Benefits

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

Total Transmission & Distribution

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

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Net Total Unrestricted Cash Inflow/(Outflow)

Ms. Warner reported that trended a positive increase of water reserves for the year in accordance with the rate study.

District Capital – Sewer

Ms. Warner reviewed the capital improvement costs accrued in June 2024, including the following: Golf Club Sewer Lift Station (SLS) Bypass Construction, WWTP Hoffman Blower Building Rehabilitation, PSPS Transfer Switch Upgrade – Sewer, WWTP Fiber Optic Upgrade, Manhole Recoating Program, Wet Well Recoating Program, and unplanned repairs related to El Toro Road Force Main Repair.

RECYCLED WATER FUND

Total Operating Revenue

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

Total Source of Supply

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

Total Salaries & Benefits

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

Total Transmission & Distribution

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

Total General & Administrative

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

Net Total Unrestricted Cash Inflow/(Outflow)

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

District Capital – Recycled Water

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

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

SECOND: Director Acosta

AYES: Directors Chadd & Acosta

NOES: None

ABSTAIN: None

MOTION PASSED/FAILED: Passed 2-0

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ITEM 6: OTHER MATTERS

Mr. Paludi provided a brief update on the District's water supplies at this time, which included the wells going offline due to warmer weather conditions and the Dimension Water Treatment Plant (DWTP) receiving a blended source of 80% untreated MET water and 20% Irvine Lake water. Mr. Paludi reported that District staff have communicated to Irvine Ranch Water District (IRWD) the water quality challenges with Irvine Lake water at the DWTP and met with IRWD staff to discuss these issues.

MOTION: None – Informational item only.

ADJOURNMENT

Director Chadd adjourned the August 8, 2024 Finance/Audit Committee Meeting at 8:23 a.m.