



## TRABUCO CANYON WATER DISTRICT FINANCE/AUDIT COMMITTEE MEETING RECAP | DECEMBER 12, 2024

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### **DIRECTORS PRESENT**

Glenn Acosta, Committee Member  
Edward Mandich, Committee Member Alternate

### **STAFF PRESENT**

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

### **STAFF ABSENT**

None

### **CONSULTANTS PRESENT**

Ian Berg, Starting Line Advisory

### **PUBLIC PRESENT**

None

### **CALL MEETING TO ORDER**

Director Acosta called the December 12, 2024 Finance/Audit Committee Meeting to order at 11:00 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**

Mr. Paludi reported on the following matters:

- Southern California Edison (SCE) had a Public Safety Power Shutoff (PSPS) outage earlier in the week due to high wind warnings. No incidents were reported; however, the Canyon facilities did lose power.
- Orange County Public Works (OCPW) has been proactively working on heightening and hardening the berm in front of the District's Ground Water Treatment Facility (GWTF). Mr. Paludi stated that OCPW has drawn up a design and will begin the work next week.

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**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.

**RECOMMENDATION:** The Committee recommended forwarding this matter to the Board of Directors (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.

**RECOMMENDATION:** Recommend the Board of Directors ratify the Directors' fees and expenses for November 2024 and tentative future meetings/attendance (Action Calendar).

**ITEM 3: UPDATE ON METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA (MET) REVERSE CYCLIC PROGRAM**

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Mr. Paludi presented this matter for Committee consideration, and he provided an overview of MET's Reverse Cyclic Program. Mr. Paludi reported that MET has developed the program as a financial and resource management tool which will allow member agencies to pre-purchase both treated and untreated water at the current full-service rate for deferred delivery in a future year. Mr. Paludi reported that Municipal Water District of Orange County (MWDOC) asked member agencies for their interest in the program, and he stated that the District has decided not to participate.

**RECOMMENDATION:** The Committee recommended forwarding this matter to the Board of Directors as an informational item. (Action Calendar).

**ITEM 4: PRESENTATION OF TRABUCO CANYON WATER DISTRICT'S FISCAL YEAR 2023-24 ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR)**

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Mr. Paludi presented this matter for Committee consideration, and he introduced the District's accounting and financial services consultant, Ian Berg, with Starting Line Advisory. Mr. Berg reported that the District's financial statements were prepared by District staff and audited by certified independent auditors Nigro & Nigro LLP. Mr. Berg stated that Nigro & Nigro LLP presented a clean opinion of the District's FY 2023-24 financial statements. Mr. Berg presented a summary of the District's financial position as of FY 2023-24, and he highlighted the change to the District's financial position from FY 2022-23.

**RECOMMENDATION:** The Committee recommended forwarding this matter to the Board of Directors as an informational item. (Action Calendar).

**ITEM 5: CONSIDERATION OF LINE BREAK BILLING ADJUSTMENT FOR DOVE CANYON MASTER ASSOCIATION**

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Mr. Paludi presented this matter for Committee consideration. Mr. Perea provided a summary of Dove Canyon Master Association's (DCMA) request for a line break adjustment due to a series of line breaks to their recycled water distribution system in May 2024. Mr. Perea provided an overview of the District's long-standing administrative procedure, which allows customers to request an account adjustment due to line breaks. Mr. Perea added that this request requires approval by the Board due to the dollar amount consistent with District policy.

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**RECOMMENDATION:** Recommend the Board of Directors approve a line break account adjustment in the amount of \$2,468.40 for Dove Canyon Master Association consistent with District General Policy & Rules and Regulations. (Action Calendar).

**ITEM 6: FINANCIAL REPORT**

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

***WATER FUND***

***Total Operating Revenue***

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

***Total Source of Supply***

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

***Total Salaries & Benefits***

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

***Total Transmission & Distribution***

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

***Total General & Administrative***

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

***Net Total Unrestricted Cash Inflow/(Outflow)***

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

***District Capital – Water***

Ms. Warner reviewed the capital improvement costs accrued in October 2024, including costs associated with the following: SCADA System Upgrades, Water Transmission Pipeline Upsizing, Valve Replacements – Water, 16” Repair – El Toro Bike Path, Filter grate replacements - #1 & 2.

***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 slightly lower than budgeted for the year.

***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 trended lower than budgeted for the year.

***Net Total Unrestricted Cash Inflow/(Outflow)***

Ms. Warner reported that this line item showed a positive increase in sewer reserves for the year.

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***District Capital – Sewer***

Ms. Warner reviewed the capital improvement costs accrued in October 2024, including the following: Golf Club Sewer Lift Station (SLS) Rehabilitation, SCADA System Upgrades, WWTP Hoffman Blower Building Rehabilitation, Heritage Sewer Lift Station Rehabilitation, Chiquita FY25 Quarterly Bill, Pump Replacement – WWTP.

***RECYCLED WATER FUND***

***Total Operating Revenue***

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

***Total Source of Supply***

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

***Total Transmission & Distribution***

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

***Total General & Administrative***

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

***Net Total Unrestricted Cash Inflow/Outflow***

Ms. Warner reported that this line item trended higher than the budgeted increase of recycled water reserves for the year.

***District Capital – Recycled Water***

Ms. Warner reviewed the capital improvement costs accrued in October 2024, including the following: SCADA System Upgrade and Dove Lake Repairs.

**RECOMMENDATION:** Recommend the Board of Directors receive and file this information (Action Calendar).

**ITEM 7: OTHER MATTERS**

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Discussion occurred regarding rate comparisons with other Districts, and Director Acosta asked staff to put together a comparison of the District’s rates versus other agencies. Director Acosta stated that this comparison may answer customers’ questions and help put context to the District’s rates.

**RECOMMENDATION:** None – Informational item only.

**ADJOURNMENT**

Director Acosta adjourned the December 12, 2024 Finance/Audit Committee Meeting at 11:55 a.m.