



**TRABUCO CANYON WATER DISTRICT
FINANCE/AUDIT COMMITTEE MEETING RECAP | FEBRUARY 13, 2025**

DIRECTORS PRESENT

Mike Safranski, Committee Chair
John Horst, Committee Member

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 Safranski called the February 13, 2025 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

Director Horst reported on his attendance at the MWDOC meeting which included an update on their participation in the California Asset Management Program (CAMP) and he asked how this fund compares to the District's investment strategies. Mr. Berg provided a brief overview on the recent rates of return for CAMP and Local Agency Investment Fund (LAIF) versus California Cooperative Liquid Assets Securities System (CLASS) funds.

Director Safranski had no comments.

REPORT FROM THE GENERAL MANAGER

Mr. Paludi reported that staff was monitoring the current rainstorm for potential mudslides in the Canyon areas affected by the Airport Fire, and he stated that the County stated that they may shut down Trabuco Creek Bridge as a precaution.

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ITEM 1: FINANCE/AUDIT COMMITTEE MEETING RECAP

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

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 January 2025 and tentative future meetings/attendance (Action Calendar).

ITEM 3: DISCUSSION CONCERNING DISTRICT RESOLUTION ON TREASURER'S ANNUAL STATEMENT OF INVESTMENT POLICY

Mr. Paludi presented this matter for Committee consideration, and he provided an overview of the District's annual requirement to prepare and submit a statement of investment policy. Mr. Paludi stated that the Board is required to pass a resolution to include changes that would impact the District's investment policy. Mr. Perea reviewed the proposed non-substantive changes to the policy and that red-lined draft resolution reflected those changes.

RECOMMENDATION: Recommend the Board of Directors adopt Resolution No. 2025-1342 – Resolution of the Board of Directors of Trabuco Canyon Water District Adopting an Investment Policy (Action Calendar).

ITEM 4: DISCUSSION CONCERNING ACCOUNT ADJUSTMENTS RESULTING FROM METER DOWNSIZING

Mr. Paludi presented this matter for Committee consideration, and he reported that staff is bringing forward account adjustments over \$1,000 for ratification by the Board. Mr. Perea reported that the number of meter downsizing applications has increased, as the February 17, 2025 deadline approaches. Mr. Paludi reported that staff has been fielding a high volume of phone calls due to a customer's public outreach efforts with program information. Director Horst requested that staff place a sign on the front door with drop-off instructions, as the deadline landed on a District holiday.

RECOMMENDATION: Recommend the Board of Directors ratify individual meter-downsizing account adjustments exceeding \$1,001.00 made by the General Manager, as previously approved by the Board (Action Calendar).

ITEM 5: FINANCIAL REPORT

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

CASH & INVESTMENTS REPORT (UNAUDITED)

Ms. Warner provided an overview of the report for the Committee. Discussion occurred concerning the District's banking investment requirements and strategies.

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DISTRICT SUMMARY BUDGET v. ACTUAL

Discussion occurred concerning incurred source of supply costs and debt service costs year to date. Director Horst asked for clarification between Debt Proceeds for Capital as opposed to Capital Improvement Program; Ms. Warner responded that Debt Proceeds for Capital line item indicates funds expended for CIP projects at 36% year to date.

WATER FUND

Total Operating Revenue

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

Total Source of Supply

Ms. Warner reported that this line item was trending higher than budgeted for the year due to the related source of supply costs for increased water sales.

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 due to increased unplanned system repairs and maintenance.

Total General & Administrative

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

Net Total Unrestricted Cash Inflow/(Outflow)

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

District Capital – Water

Ms. Warner reviewed the capital improvement costs accrued in December 2024, including costs associated with the following: SCADA System Upgrades, Manual Transfer Switch Installations – Water, 16” Repair – El Toro Bike Path, Miscellaneous Electrical Work – Water, O’Neill Park – 10” water main repair.

Director Safranski recommended that District staff work with the Sources of Supply Ad Hoc Committee to act quickly on the rehabilitation of the transmission main pipeline.

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.

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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.

District Capital – Sewer

Ms. Warner reviewed the capital improvement costs accrued in December 2024, including the following: Golf Club Sewer Lift Station (SLS) Rehabilitation, SCADA System Upgrades, WWTP Hoffman Blower Building Rehabilitation, Heritage Sewer Lift Station Rehabilitation, Manual Transfer Switch Installations – Sewer, WWTP Fiber Optic Upgrade, WWTP Reservoir Gate Improvements, Miscellaneous Electrical Work – Sewer, Pump Repair – Barneburg Lift Station.

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 as budgeted for the year.

Total Salaries & Benefits

Ms. Warner reported that this line item was trending 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 was trending 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 November 2024, including the following: SCADA System Upgrades, Dove Recycled Booster Pump Station, Dove Canyon Recycled PRV Improvement, WWTP Reservoir Gate Improvements, Miscellaneous Electrical Work – Recycled.

Mr. Berg reviewed the Cash and Investment Sheet and answered the Committee's questions regarding restricted and unrestricted funds. Director Safranski requested a budget forecast in order to capture unplanned items and help determine if the year will end within budget.

Discussion occurred concerning the Dam project, and Mr. Paludi reported that staff will be sending out an RFP for design. A brief discussion also occurred regarding HOA's and recycled water use.

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

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ITEM 6: OTHER MATTERS

Director Horst commented that he spoke with the General Manager about holding a Special Board Meeting to discuss ideas on the current rates and budget planning.

RECOMMENDATION: None – Informational item only.

ADJOURNMENT

Director Safranski adjourned the February 13, 2025 Finance/Audit Committee Meeting at 9:05 a.m.