



**SPECIAL BOARD MEETING AGENDA  
TRABUCO CANYON WATER DISTRICT  
32003 DOVE CANYON DRIVE, TRABUCO CANYON, CALIFORNIA  
ADMINISTRATIVE FACILITY  
MAY 27, 2025 AT 6:00 P.M.**

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**NOTICE OF SPECIAL BOARD MEETING**

*NOTICE IS HEREBY GIVEN PURSUANT TO GOVERNMENT CODE SECTION 54956 THAT A SPECIAL MEETING OF THE BOARD OF DIRECTORS OF THE TRABUCO CANYON WATER DISTRICT WILL BE HELD ON TUESDAY, MAY 27, 2025, AT 6:00 P.M. AND WILL BE CONDUCTED IN PERSON BUT WILL BE AVAILABLE FOR PARTICIPATION BY THE PUBLIC BY TELEPHONE AUDIO AS DESCRIBED BELOW.*

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**BOARD OF DIRECTORS**

Edward Mandich, President  
Glenn Acosta, Vice President  
Mark Anderson, Director  
John Horst, Director  
Michael Safranski, Director

**DISTRICT STAFF**

Fernando Paludi, General Manager  
Michael Perea, District Secretary  
Hanson Bridgett LLP, District General Legal Counsel

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**AGENDA NOTE:**

*Trabuco Canyon Water District (District) will make this Regular Board Meeting available by telephone audio as follows:*

**Telephone Audio:** 1 (669) 900-6833 (Toll Free)      **Access Code:** 913-8681-1652

*Persons desiring to monitor the Board meeting agenda items may download the Board meeting agenda and documents on the internet at [www.tcwd.ca.gov](http://www.tcwd.ca.gov). You may submit public comments by email to the Board at [mperea@tcwd.ca.gov](mailto:mperea@tcwd.ca.gov). In order to be part of the record, emailed comments on meeting agenda items must be received by the District, at the referenced e-mail address, not later than 1:00 p.m. (PDT) on the day of the meeting.*

**CALL MEETING TO ORDER & PLEDGE OF ALLEGIANCE**

**VISITOR PARTICIPATION**

*Members of the public wishing to address the Board regarding a particular item on the agenda are requested to submit public comments at the time of the meeting or by email to the Board at [mperea@tcwd.ca.gov](mailto:mperea@tcwd.ca.gov). Public comments may also be submitted by teleconference during the meeting. The Board President will call on the visitor following the Board's discussion about the matter. Members of the public will be given the opportunity to speak prior to the Board taking action on that item. For persons desiring to make verbal comments and utilizing a translator to present their comments into English reasonable time accommodations, consistent with State law, shall be provided. Please limit comments to three minutes.*

**ORAL COMMUNICATION**

*Members of the public who wish to comment on matters not appearing on the agenda are requested to submit oral communication at the time of the meeting or by email to the Board at [mperea@tcwd.ca.gov](mailto:mperea@tcwd.ca.gov). Public comments may also be submitted by teleconference during the meeting. Under the requirements of State Law, Directors cannot act on items not identified on the agenda and will not make decisions on such matters. The Board President may direct District Staff to follow up on issues as may be deemed appropriate. For persons desiring to make verbal comments and utilizing a translator to present their comments into English reasonable time accommodations, consistent with State law, shall be provided. Please limit comments to three minutes.*

**DIRECTORS' COMMENTS AND MEETING REPORTS**

**REPORT FROM THE GENERAL MANAGER**

## ACTION CALENDAR

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All matters under the Action Calendar have been reviewed by the General Manager and Staff prior to the Board's consideration.

## FINANCIAL MATTERS

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### ITEM 1: RECOGNITION OF EMPLOYEE BARGAINING UNITS

**RECOMMENDED ACTION(S):**

*Ratification of General Manager's response to the Public Employment Relations Board (PERB) on behalf of Trabuco Canyon Water District to voluntarily recognize the International Brotherhood of Electrical Workers, Local 47, as the exclusive representative of the General and Mid-Manager bargaining units of District employees.*

### ITEM 2: TRABUCO CANYON WATER DISTRICT FISCAL YEAR 2025-26 BUDGET WORKSHOP

**RECOMMENDED ACTION(S):**

*Receive information at the time of the meeting and take action(s) as deemed appropriate.*

### ITEM 3: CONSIDERATION OF PROPOSED UPDATED DISTRICT RESERVES POLICY

**RECOMMENDED ACTION(S):**

*Receive information at the time of the meeting and take action(s) as deemed appropriate.*

## END ACTION CALENDAR & ADJOURNMENT

### AVAILABILITY OF AGENDA MATERIALS

*Agenda exhibits and other writings that are disclosable public records distributed to all or a majority of the members of the Trabuco Canyon Water District Board of Directors in connection with a matter subject to discussion or consideration at an open meeting of the Board of Directors are available for public inspection at the Trabuco Canyon Water District Administrative Facility, 32003 Dove Canyon Drive, Trabuco Canyon, California (District Administrative Facility) and will be posted online on the District's website located at [www.tcwd.ca.gov](http://www.tcwd.ca.gov). If such writings are distributed to members of the Board less than 72 hours prior to the meeting, they will be available online at [www.tcwd.ca.gov](http://www.tcwd.ca.gov) at the same time as they are distributed to the Board Members, except that, if such writings are distributed immediately prior to or during the meeting, they will be posted online on the District's website located at [www.tcwd.ca.gov](http://www.tcwd.ca.gov).*

### COMPLIANCE WITH THE REQUIREMENTS OF CALIFORNIA GOVERNMENT CODE SECTION 54954.2

*In compliance with California law and the Americans with Disabilities Act, if you need special disability-related modifications or accommodations, including auxiliary aids or services in order to participate in the meeting, or if you need the agenda provided in an alternative format, please contact the District Secretary at (949) 858-0277, at least 48 hours in advance of the scheduled Board meeting. Notification at least 48 hours prior to the meeting will assist the District in making reasonable arrangements to accommodate your request. The Board Meeting Room is wheelchair accessible.*



**TRABUCO CANYON WATER DISTRICT  
SPECIAL BOARD MEETING | MAY 27, 2025**

**ACTION CALENDAR**

**ADMINISTRATIVE MATTERS**

**ITEM 1: RECOGNITION OF EMPLOYEE BARGAINING UNITS**

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The International Brotherhood of Electrical Workers (IBEW) Local 47 petitioned the California Public Employment Relations Board (PERB) on March 6, 2025 to be recognized as the exclusive representative to two bargaining units (General and Mid-Manager) of Trabuco Canyon Water District (District or TCWD) employees. On April 23, 2025, PERB notified the District of their administrative determination that the formation of each of the proposed bargaining units met the requirements of PERB regulations, including that IBEW evidenced majority support for each bargaining unit. PERB requested that the District file a response by May 8, 2025 either granting voluntary recognition for each bargaining unit, or disputing their appropriateness.

District Legal Counsel advised the General Manager to grant voluntary recognition and on May 8 the District filed two responses with PERB (included as Exhibit 1). General Counsel is recommending that the Board of Directors ratify the actions taken by the General Manager relative to the recognition of IBEW as exclusive representative of the TCWD employees' bargaining units.

**FUNDING SOURCE:**

General Fund

**FISCAL IMPACT:**

To be determined

**COMMITTEE STATUS:**

This item was not reviewed by a Committee.

**RECOMMENDED ACTIONS:**

*Ratification of General Manager's response to the Public Employment Relations Board (PERB) on behalf of Trabuco Canyon Water District to voluntarily recognize the International Brotherhood of Electrical Workers, Local 47, as the exclusive representative of the General and Mid-Manager bargaining units of District employees.*

**EXHIBIT(S):**

1. TCWD Correspondence to PERB Regional Attorney Ricardo Martinez, dated May 8, 2025

**CONTACTS (staff responsible): PALUDI/COLLINS**

STAFF MEMBERS

Fernando Paludi, General Manager  
Michael Perea, Board Secretary  
Hanson Bridgett LLP, Legal Counsel



BOARD OF DIRECTORS

Ed Mandich, President  
Glenn Acosta, Vice President  
Mark Anderson, Director  
John Horst, Director  
Michael Safranski, Director

May 8, 2025

**VIA ePERB Portal**

Ricardo Martinez  
Regional Attorney  
Public Employment Relations Board  
Los Angeles Regional Office  
425 W. Broadway, Suite 400  
Glendale, CA, 91204-1269

Re: *Trabuco Canyon Water District and International Brotherhood of Electrical Workers,  
Local 47*  
Case No. LA-RR-1359-M

To Regional Attorney Ricardo Martinez:

On the basis of the Public Employment Relations Board's representation that the International Brotherhood of Electric Workers, Local 47 ("IBEW") has evidenced majority support among the members of the proposed "general" bargaining unit, the District grants voluntary recognition to IBEW as the exclusive representative of the following classifications:

Wastewater Chief Plant Operator, Wastewater Operator 1, Wastewater Operator 2, Wastewater Operator 3, Wastewater OIT, Lead Mechanical Technologist, Mechanical Technologist 1, Mechanical Technologist 2, Mechanical Technologist 3, Water Chief Plant Operator, Lead Water System Operator, Water System Operator 1, Water System Operator 2, Water System Operator 3, Executive Assistant, Customer Service Field Tech 2, Customer Service Field Tech 1, Customer Service Field Tech 3, Customer Service Representative 1, Customer Service Representative 2, Customer Service Representative 3, Administrative Assistant, and CMMS/SCADA Administrator.

Very truly yours,

A handwritten signature in black ink, appearing to read "F. Paludi", with a horizontal line extending to the right.

Fernando Paludi  
General Manager  
Trabuco Canyon Water District

cc: Andrew McKercher, Organizer  
International Brotherhood of Electrical Workers

STAFF MEMBERS

Fernando Paludi, General Manager  
Michael Perea, Board Secretary  
Hanson Bridgett LLP, Legal Counsel



BOARD OF DIRECTORS

Ed Mandich, President  
Glenn Acosta, Vice President  
Mark Anderson, Director  
John Horst, Director  
Michael Safranski, Director

May 8, 2025

**VIA ePERB Portal**

Ricardo Martinez  
Regional Attorney  
Public Employment Relations Board  
Los Angeles Regional Office  
425 W. Broadway, Suite 400  
Glendale, CA, 91204-1269

Re: *Trabuco Canyon Water District and International Brotherhood of Electrical Workers,  
Local 47*  
Case No. LA-RR-1360-M

To Regional Attorney Ricardo Martinez:

On the basis of the Public Employment Relations Board's representation that the International Brotherhood of Electric Workers, Local 47 ("IBEW") has evidenced majority support among the members of the proposed "mid-manager" bargaining unit, the District grants voluntary recognition to IBEW as the exclusive representative of the following classifications: Principal Accountant, Wastewater Superintendent, Maintenance Superintendent, Water Department Superintendent, and District Engineer.

Very truly yours,

A handwritten signature in black ink, appearing to read "F. Paludi", is written over a circular stamp or seal.

Fernando Paludi  
General Manager  
Trabuco Canyon Water District

cc: Andrew McKercher, Organizer  
International Brotherhood of Electrical Workers

**TRABUCO CANYON WATER DISTRICT  
SPECIAL BOARD MEETING | MAY 27, 2025**

**ACTION CALENDAR**

**ADMINISTRATIVE MATTERS**

**ITEM 2: TRABUCO CANYON WATER DISTRICT FISCAL YEAR 2025-26 BUDGET WORKSHOP**

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Trabuco Canyon Water District staff and its consultant Starting Line Advisory will provide an overview of the 10-year financial plan and proposed FY 2026 Operating and Capital Budgets for review and discussion by the Board of Directors.

**FUNDING SOURCE:**

Not applicable.

**FISCAL IMPACT:**

There is no fiscal impact associated with the budget workshop.

**COMMITTEE STATUS:**

This item was not reviewed by a Committee.

**RECOMMENDED ACTION:**

*Receive information at the time of the meeting and take action(s) as deemed appropriate.*

**EXHIBIT(S):**

1. Trabuco Canyon Water District FY 2026 Budget Materials, including:
  - a. Proposed 10-yr Financial Plan
  - b. Proposed FY 2026 Budget Summary and Detail
  - c. Proposed Cash Flow Projections
  - d. Proposed Operating Budget Summary and Detail
  - e. Proposed FY 2026 Operating Budget Narrative
  - f. Proposed 10-yr Capital Improvement Plan (CIP) Dashboard
  - g. Proposed FY 2026 CIP

**CONTACTS (staff responsible): PALUDI/BERG/WARNER**



***Fiscal Year 2025-2026  
Proposed Budget Workshop 2***

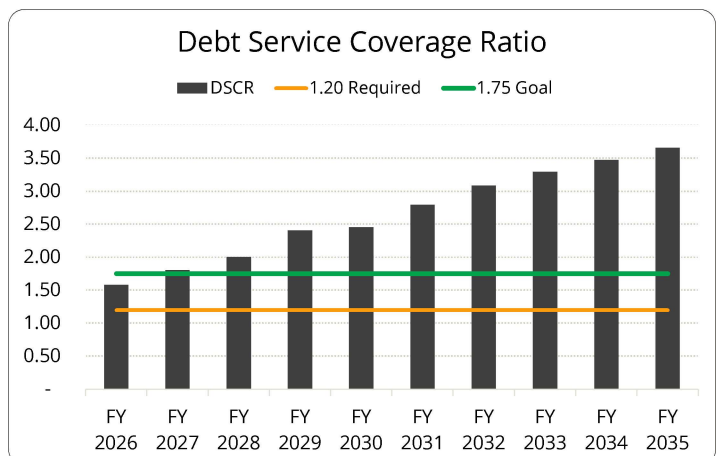
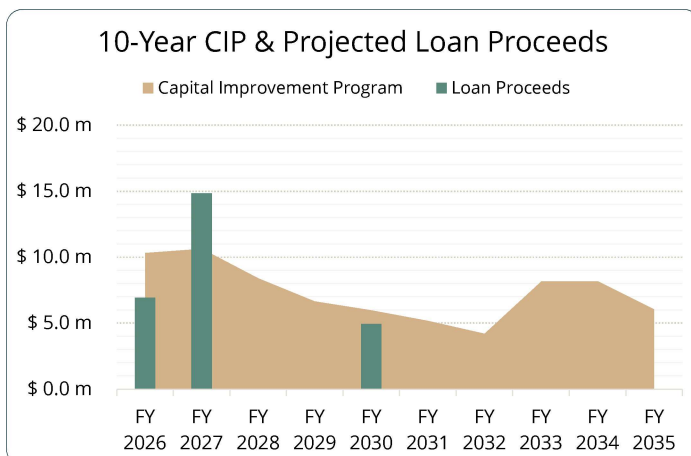
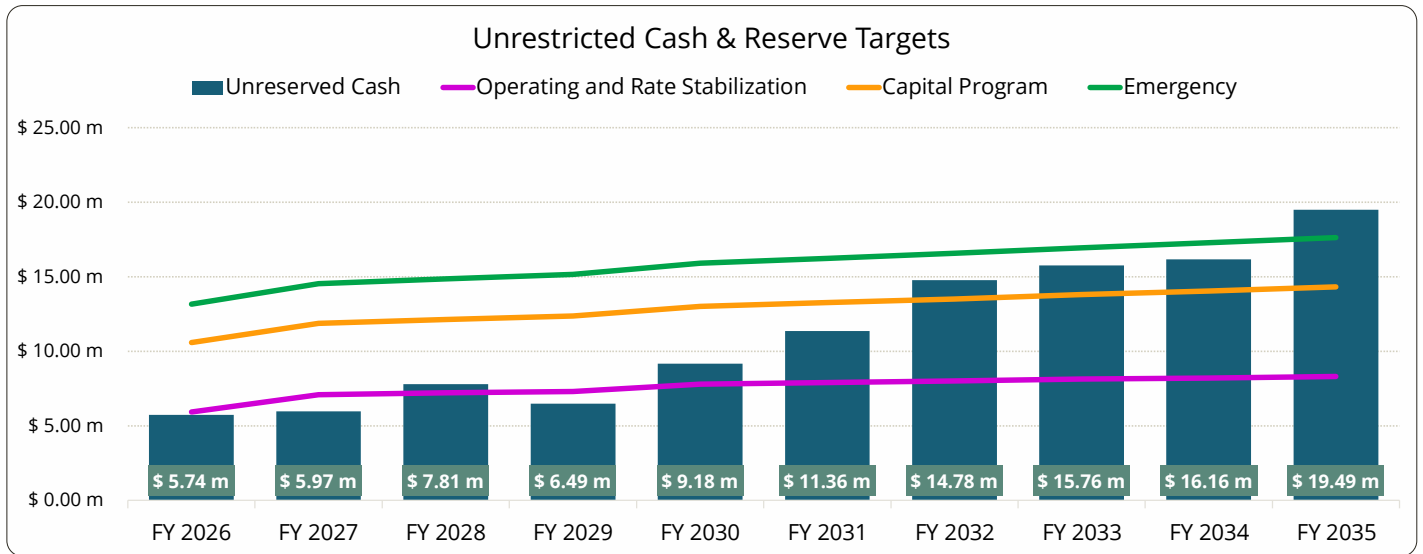
**TRABUCO CANYON**  
**WATER DISTRICT**




# ***10-Year Financial Plan, Budget Summary & Cash Flow***

## District Schedule A: FY 2026 Proposed 10-Year Financial Plan

		17.0%	17.0%	10.0%	9.0%	7.0%	7.0%	5.0%	5.0%	3.0%	3.0%
	<i>Water Revenue Adjustment</i>										
	<i>Wastewater Revenue Adjustment</i>	14.0%	14.0%	12.0%	9.5%	9.5%	9.5%	9.5%	5.0%	5.0%	5.0%
	<i>Recycled Revenue Adjustment</i>	14.0%	14.0%	10.0%	9.0%	7.0%	7.0%	5.0%	5.0%	3.0%	3.0%
<b>TRABUCO CANYON WATER DISTRICT</b>		FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035
		Proposed Budget	Projected Results	Projected Results	Projected Results	Projected Results	Projected Results	Projected Results	Projected Results	Projected Results	Projected Results
1	Fixed Service Charges	\$ 4.36 m	\$ 5.10 m	\$ 5.61 m	\$ 6.46 m	\$ 6.92 m	\$ 7.40 m	\$ 7.77 m	\$ 8.16 m	\$ 8.40 m	\$ 8.65 m
2	Variable Service Charges	6.17 m	7.26 m	7.99 m	9.49 m	10.15 m	10.86 m	11.40 m	11.97 m	12.33 m	12.70 m
3	Pass-Through Charges	0.58 m	1.00 m	1.02 m							
4	BTP Wholesale Charges	1.71 m	1.79 m	1.86 m	1.94 m	2.03 m	2.12 m	2.21 m	2.31 m	2.41 m	2.51 m
5	Wastewater Charges	2.91 m	3.33 m	3.73 m	4.08 m	4.47 m	4.90 m	5.36 m	5.63 m	5.91 m	6.21 m
6	Property Tax Receipts	2.44 m	2.49 m	2.53 m	2.58 m	2.64 m	2.69 m	2.74 m	2.79 m	2.85 m	2.91 m
7	Other Revenue	0.70 m	0.63 m	0.68 m	0.74 m	0.79 m	0.88 m	1.01 m	1.07 m	1.12 m	1.26 m
8	<b>Total Revenue</b>	<b>18.86 m</b>	<b>21.59 m</b>	<b>23.43 m</b>	<b>25.30 m</b>	<b>26.99 m</b>	<b>28.84 m</b>	<b>30.49 m</b>	<b>31.93 m</b>	<b>33.02 m</b>	<b>34.24 m</b>
9	Source of Supply	3.65 m	2.98 m	3.11 m	3.26 m	3.41 m	3.56 m	3.73 m	3.90 m	4.08 m	4.27 m
10	Cost of BTP Wholesale	1.50 m	1.57 m	1.65 m	1.73 m	1.81 m	1.90 m	1.99 m	2.09 m	2.19 m	2.30 m
11	Staffing Resources	5.87 m	6.04 m	6.22 m	6.42 m	6.59 m	6.75 m	6.91 m	7.07 m	7.24 m	7.42 m
12	Operations & Maintenance	2.30 m	2.37 m	2.45 m	2.53 m	2.62 m	2.71 m	2.80 m	2.89 m	2.99 m	3.09 m
13	General & Administrative	2.58 m	2.68 m	2.89 m	2.86 m	2.95 m	3.04 m	3.13 m	3.35 m	3.31 m	3.40 m
14	<b>Total Expense</b>	<b>15.89 m</b>	<b>15.64 m</b>	<b>16.32 m</b>	<b>16.81 m</b>	<b>17.38 m</b>	<b>17.96 m</b>	<b>18.56 m</b>	<b>19.31 m</b>	<b>19.82 m</b>	<b>20.48 m</b>
15	<b>Net Income / (Loss) from Operations</b>	<b>2.97 m</b>	<b>5.95 m</b>	<b>7.11 m</b>	<b>8.49 m</b>	<b>9.62 m</b>	<b>10.87 m</b>	<b>11.93 m</b>	<b>12.62 m</b>	<b>13.20 m</b>	<b>13.77 m</b>
16	Capital Loans Reserve	9.64 m	9.31 m	7.76 m	1.27 m	3.83 m	1.12 m				
17	Water Storage Facilities Reserve							1.16 m			
18	Grant Proceeds for CIP	0.73 m	0.49 m								
19	Capital Improvement Program	- 10.33 m	- 10.66 m	- 8.42 m	- 6.66 m	- 6.01 m	- 5.18 m	- 4.22 m	- 8.16 m	- 8.18 m	- 6.07 m
20	CIP Contingency	- 1.03 m	- 1.07 m	- 0.84 m	- 0.67 m	- 0.60 m	- 0.52 m	- 0.42 m	- 0.82 m	- 0.82 m	- 0.61 m
21	Debt Service	- 2.34 m	- 3.57 m	- 3.55 m	- 3.53 m	- 3.92 m	- 3.89 m	- 3.86 m	- 3.83 m	- 3.80 m	- 3.76 m
22	State Revolving Fund Loan Reserve							0.23 m			
23	Debt Service 2011 SRF Loan	- 0.23 m	- 0.23 m	- 0.23 m	- 0.23 m	- 0.23 m	- 0.23 m	- 0.23 m			
24	<b>Net Change in Unrestricted Cash</b>	<b>-\$ 0.60 m</b>	<b>\$ 0.23 m</b>	<b>\$ 1.83 m</b>	<b>-\$ 1.32 m</b>	<b>\$ 2.69 m</b>	<b>\$ 2.19 m</b>	<b>\$ 3.42 m</b>	<b>\$ 0.98 m</b>	<b>\$ 0.40 m</b>	<b>\$ 3.33 m</b>



**District**  
**Schedule B: FY 2026 Proposed Budget Summary**


	A	B	C	D	E = D - B	F = E / B
	FY 2024	FY 2025	FY 2025 (P)	FY 2026	\$ Budget	% Budget
	Actual	Adopted	Projected	Proposed	Change	Change
	Results	Budget	Results	Budget	PY	PY
1 Fixed Service Charges	\$ 3,365,770	\$ 3,694,400	\$ 3,794,700	\$ 4,359,500	\$ 665,100	18%
2 Variable Service Charges	4,592,572	5,309,500	5,956,900	6,165,900	856,400	16%
3 Pass-Through Charges	-	-	284,100	582,300	582,300	NA
4 BTP Wholesale Charges	1,831,802	2,115,600	1,694,500	1,709,900	(405,700)	-19%
5 Wastewater Charges	2,221,462	2,558,700	2,559,800	2,913,500	354,800	14%
6 Property Tax Receipts	2,346,796	2,577,700	2,389,980	2,437,300	(140,400)	-5%
7 Other Revenue	1,106,136	808,400	1,237,000	695,300	(113,100)	-14%
<b>8 Total Revenue</b>	<b>15,464,537</b>	<b>17,064,300</b>	<b>17,916,980</b>	<b>18,863,700</b>	<b>1,799,400</b>	<b>11%</b>
9 Source of Supply	2,652,504	2,929,900	3,820,100	3,646,600	716,700	24%
10 Cost of BTP Wholesale	1,463,827	1,587,700	1,469,100	1,495,000	(92,700)	-6%
11 Staffing Resources	4,434,912	5,224,800	5,278,500	5,870,500	645,700	12%
12 Operations & Maintenance	1,964,261	1,958,600	1,987,300	2,296,100	337,500	17%
13 General & Administrative	2,520,050	2,403,300	2,395,700	2,582,900	179,600	7%
<b>14 Total Expense</b>	<b>13,035,554</b>	<b>14,104,300</b>	<b>14,950,700</b>	<b>15,891,100</b>	<b>1,786,800</b>	<b>13%</b>
<b>15 Net Income / (Loss) from Operations</b>	<b>2,428,983</b>	<b>2,960,000</b>	<b>2,966,280</b>	<b>2,972,600</b>	<b>12,600</b>	<b>0%</b>
16 Capital Loans Reserve	2,575,067	5,441,589	4,856,818	9,635,177	4,193,588	77%
17 Water Storage Facilities Reserve	-	-	-	-	-	NA
18 Grant Proceeds for CIP	-	-	-	725,745	725,745	NA
19 Capital Improvement Program	(2,225,250)	(5,441,589)	(5,498,018)	(10,334,877)	(4,893,288)	90%
20 CIP Contingency	-	-	-	(1,033,500)	(1,033,500)	NA
21 Debt Service	(139,361)	(651,200)	(506,850)	(2,339,690)	(1,688,490)	259%
22 State Revolving Fund Loan Reserve	-	-	-	-	-	NA
23 Debt Service 2011 SRF Loan	(230,381)	(230,400)	(230,380)	(230,380)	20	0%
<b>24 Net Change in Unrestricted Cash</b>	<b>\$ 2,409,058</b>	<b>\$ 2,078,400</b>	<b>\$ 1,587,850</b>	<b>\$ (604,925)</b>	<b>\$ (2,683,325)</b>	<b>-129%</b>
<b>25 Ending Unrestricted Cash Balance</b>			<b>\$ 6,348,337</b>	<b>\$ 5,743,412</b>		
<b>26 Reserve Policy Target Recommendations</b>						
27 Operating and Rate Stabilization			3,877,250	5,938,715		
28 Emergency			2,489,075	2,575,136		
29 Capital Program			4,498,265	4,653,795		
<b>30 Over / (Under) Policy Recommendations</b>			<b>(4,516,252)</b>	<b>(7,424,234)</b>		

**Line 27 - Operating and Rate Stabilization Reserve** - Equal to the minimum target of three months of budgeted operating expenses (excluding the cost of BTP wholesale) plus annual debt service, excluding the Debt Service on the 2011 SRF loan.

**Line 28 - Emergency Target** - Set at the minimum of 5% of Capital Assets, net of depreciation.

**Line 29 - Capital Program Reserve Target** - Equal to the minimum of one year of annual depreciation expense from the most recent audited financial statements.


**District**  
**Schedule C: Cash Flow Projections**

		FY 2026 Proposed Budget	FY 2027 Projected Results	FY 2028 Projected Results	FY 2029 Projected Results	FY 2030 Projected Results	FY 2031 Projected Results	FY 2032 Projected Results	FY 2033 Projected Results	FY 2034 Projected Results	FY 2035 Projected Results
<b>Unrestricted Cash</b>											
<b>Unreserved</b>											
1	Beginning FY Balance	\$ 5,108,264	\$ 4,503,339	\$ 4,733,566	\$ 6,566,203	\$ 5,248,184	\$ 7,938,493	\$ 10,123,617	\$ 13,543,020	\$ 14,520,753	\$ 14,923,219
2	Net Income / (Loss) From Operations	2,972,600	5,952,500	7,109,490	8,491,890	9,618,100	10,874,500	11,928,000	12,621,800	13,204,000	13,766,300
2	Capital Loans Reserve	9,635,177	9,313,500	7,762,930	1,271,436	3,825,500	1,124,500	-	-	-	-
3	Water Storage Facilities Reserve	-	-	-	-	-	-	-	1,161,420	-	-
4	Grant Proceeds for CIP	725,745	491,355	-	-	-	-	-	-	-	-
5	Capital Improvement Program	(10,334,877)	(10,658,200)	(8,417,930)	(6,659,850)	(6,005,350)	(5,175,550)	(4,224,600)	(8,159,200)	(8,184,500)	(6,069,000)
6	CIP Contingency	(1,033,500)	(1,065,900)	(841,700)	(666,000)	(600,600)	(517,600)	(422,500)	(816,000)	(818,500)	(607,000)
7	Debt Service	(2,339,690)	(3,572,647)	(3,549,771)	(3,525,115)	(3,916,960)	(3,890,345)	(3,861,497)	(3,830,287)	(3,798,535)	(3,764,057)
8	State Revolving Fund Loan Reserve	-	-	-	-	-	-	230,380	-	-	-
9	Debt Service 2011 SRF Loan	(230,380)	(230,381)	(230,382)	(230,380)	(230,381)	(230,380)	(230,380)	-	-	-
10	Transfer (To) / From Committed Reserves	-	-	-	-	-	-	-	-	-	-
11	<b>Unreserved Ending FY Balance</b>	<b>4,503,339</b>	<b>4,733,566</b>	<b>6,566,203</b>	<b>5,248,184</b>	<b>7,938,493</b>	<b>10,123,617</b>	<b>13,543,020</b>	<b>14,520,753</b>	<b>14,923,219</b>	<b>18,249,462</b>
<b>Operating and Rate Stabilization Reserve</b>											
13	Beginning FY Balance	-	-	-	-	-	-	-	-	-	-
14	Transfer (To) / From Unreserved	-	-	-	-	-	-	-	-	-	-
15	<b>Operating and Rate Stabilization Reserve Ending FY Balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Capital Program Reserve</b>											
16	Beginning FY Balance	1,240,072	1,240,072	1,240,072	1,240,072	1,240,072	1,240,072	1,240,072	1,240,072	1,240,072	1,240,072
17	Transfer (To) / From Unreserved	-	-	-	-	-	-	-	-	-	-
18	<b>Capital Program Reserve Ending FY Balance</b>	<b>1,240,072</b>	<b>1,240,072</b>	<b>1,240,072</b>	<b>1,240,072</b>	<b>1,240,072</b>	<b>1,240,072</b>	<b>1,240,072</b>	<b>1,240,072</b>	<b>1,240,072</b>	<b>1,240,072</b>
<b>Emergency Reserve</b>											
19	Beginning FY Balance	-	-	-	-	-	-	-	-	-	-
20	Transfer (To) / From Unreserved	-	-	-	-	-	-	-	-	-	-
21	<b>Emergency Reserve Ending FY Balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
22	<b>Total Unrestricted Ending FY Balance</b>	<b>5,743,412</b>	<b>5,973,638</b>	<b>7,806,275</b>	<b>6,488,256</b>	<b>9,178,565</b>	<b>11,363,690</b>	<b>14,783,093</b>	<b>15,760,826</b>	<b>16,163,291</b>	<b>19,489,534</b>
<b>Restricted Cash</b>											
<b>Water Storage Facilities Reserve</b>											
23	Beginning FY Balance	1,161,420	1,161,420	1,161,420	1,161,420	1,161,420	1,161,420	1,161,420	1,161,420	(0)	(0)
24	Transfer (To) Unreserved	-	-	-	-	-	-	-	(1,161,420)	-	-
25	<b>Water Storage Facilities Reserve Ending FY Balance</b>	<b>1,161,420</b>	<b>1,161,420</b>	<b>1,161,420</b>	<b>1,161,420</b>	<b>1,161,420</b>	<b>1,161,420</b>	<b>1,161,420</b>	<b>(0)</b>	<b>(0)</b>	<b>(0)</b>
<b>Capital Loans Reserve</b>											
26	Beginning FY Balance	6,203,044	3,497,866	9,034,366	1,271,436	-	1,124,500	-	-	-	-
27	Loan Proceeds	6,930,000	14,850,000	-	-	4,950,000	-	-	-	-	-
28	Transfer (To) Unreserved	(9,635,177)	(9,313,500)	(7,762,930)	(1,271,436)	(3,825,500)	(1,124,500)	-	-	-	-
29	<b>Capital Loans Reserve Ending FY Balance</b>	<b>3,497,866</b>	<b>9,034,366</b>	<b>1,271,436</b>	<b>-</b>	<b>1,124,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>State Revolving Fund Loan Reserve</b>											
30	Beginning FY Balance	239,584	239,584	239,584	239,584	239,584	239,584	239,584	9,204.12	9,204.12	9,204.12
31	Transfer (To) / From Unreserved	-	-	-	-	-	-	(230,380)	-	-	-
32	<b>State Revolving Fund Loan Reserve Ending FY Balance</b>	<b>239,584</b>	<b>239,584</b>	<b>239,584</b>	<b>239,584</b>	<b>239,584</b>	<b>239,584</b>	<b>9,204</b>	<b>9,204</b>	<b>9,204</b>	<b>9,204</b>
<b>Oaks at Trabuco Reserve</b>											
33	Beginning FY Balance	129,024	129,024	129,024	129,024	129,024	129,024	129,024	129,024	129,024	129,024
34	Transfer (To) / From Unreserved	-	-	-	-	-	-	-	-	-	-
35	<b>Oaks at Trabuco Reserve Ending FY Balance</b>	<b>129,024</b>	<b>129,024</b>	<b>129,024</b>	<b>129,024</b>	<b>129,024</b>	<b>129,024</b>	<b>129,024</b>	<b>129,024</b>	<b>129,024</b>	<b>129,024</b>
36	<b>Total Restricted Ending FY Balance</b>	<b>\$ 5,027,894</b>	<b>\$ 10,564,394</b>	<b>\$ 2,801,464</b>	<b>\$ 1,530,028</b>	<b>\$ 2,654,528</b>	<b>\$ 1,530,028</b>	<b>\$ 1,299,648</b>	<b>\$ 138,228</b>	<b>\$ 138,228</b>	<b>\$ 138,228</b>



# ***Operating Budget Detail***

**District**  
**Schedule D: FY 2026 Proposed Operating Budget**

	A	B	C	D	E = D - B	F = E / B
	FY 2024	FY 2025	FY 2025 (P)	FY 2026	\$ Budget	% Budget
	Actual	Adopted	Projected	Proposed	Change	Change
	Results	Budget	Results	Budget	PY	PY
						
1 Fixed Service Charges	\$ 3,365,770	\$ 3,694,400	\$ 3,794,700	\$ 4,359,500	\$ 665,100	18%
2 Variable Service Charges	4,592,572	5,309,500	5,956,900	6,165,900	856,400	16%
3 Fixed Service Charges Pass-Through	-	-	84,000	181,700	181,700	NA
4 Variable Service Charges Pass-Through	-	-	200,100	400,600	400,600	NA
5 BTP Wholesale Water Sales	1,162,623	1,233,500	1,059,600	1,055,600	(177,900)	-14%
6 BTP Maintenance Charges	411,452	550,600	409,500	439,400	(111,200)	-20%
7 BTP Capital Recovery	257,726	331,500	225,400	214,900	(116,600)	-35%
8 Wastewater Charges	2,221,462	2,558,700	2,559,800	2,913,500	354,800	14%
9 Property Tax Receipts	2,346,796	2,577,700	2,389,980	2,437,300	(140,400)	-5%
10 Customer Fees	485,430	447,200	495,400	520,200	73,000	16%
11 Interest Revenue	326,637	288,800	704,600	137,000	(151,800)	-53%
12 Miscellaneous Revenue	294,070	72,400	37,000	38,100	(34,300)	-47%
<b>13 Total Revenue</b>	<b>15,464,537</b>	<b>17,064,300</b>	<b>17,916,980</b>	<b>18,863,700</b>	<b>1,799,400</b>	<b>11%</b>
<b>14 Source of Supply</b>						
15 Variable Water Purchases	2,059,227	2,243,000	3,054,900	2,822,600	579,600	26%
16 BTP Water Purchases TCWD	1,302	1,200	96,500	92,800	91,600	7633%
17 BTP Maintenance Expense TCWD	(8,431)	(9,000)	45,100	46,500	55,500	-617%
18 Fixed Water Purchases	347,038	406,300	384,100	401,700	(4,600)	-1%
19 Chemicals & Electricity	253,367	288,400	239,500	283,000	(5,400)	-2%
<b>20 Total Source of Supply</b>	<b>2,652,504</b>	<b>2,929,900</b>	<b>3,820,100</b>	<b>3,646,600</b>	<b>716,700</b>	<b>24%</b>
<b>21 Cost of BTP Wholesale</b>						
22 BTP Water Purchases for Wholesale	1,052,375	1,037,100	1,059,600	1,055,600	18,500	2%
23 BTP Maintenance Expense Sales	411,452	550,600	409,500	439,400	(111,200)	-20%
<b>24 Total Cost of BTP Wholesale</b>	<b>1,463,827</b>	<b>1,587,700</b>	<b>1,469,100</b>	<b>1,495,000</b>	<b>(92,700)</b>	<b>-6%</b>
<b>25 Staffing Resources</b>						
26 Employee Compensation	3,145,626	3,727,700	3,762,800	4,115,500	387,800	10%
27 Employee Benefits	1,030,483	1,227,900	1,194,700	1,360,000	132,100	11%
28 CalPERS Retirement Unfunded Liability	258,804	269,200	321,000	395,000	125,800	47%
29 Retiree Health Insurance Payments	171,959	256,200	179,300	201,700	(54,500)	-21%
30 OPEB Trust Reimbursement	(171,959)	(256,200)	(179,300)	(201,700)	54,500	-21%
<b>31 Total Staffing Resources</b>	<b>4,434,912</b>	<b>5,224,800</b>	<b>5,278,500</b>	<b>5,870,500</b>	<b>645,700</b>	<b>12%</b>
<b>32 Operations &amp; Maintenance</b>						
33 System Repairs and Maintenance	740,764	677,100	809,700	1,030,600	353,500	52%
34 Distribution Electricity	899,475	958,300	854,800	914,700	(43,600)	-5%
35 Vehicles and Equipment	154,821	154,200	179,000	188,800	34,600	22%
36 Lab Testing & Supplies	169,200	169,000	143,800	162,000	(7,000)	-4%
<b>37 Total Operations &amp; Maintenance</b>	<b>1,964,261</b>	<b>1,958,600</b>	<b>1,987,300</b>	<b>2,296,100</b>	<b>337,500</b>	<b>17%</b>
<b>38 General &amp; Administrative</b>						
39 Professional Services	1,117,851	937,100	897,000	968,700	31,600	3%
40 Office Maintenance & Supplies	564,109	540,600	576,100	616,200	75,600	14%
41 Board of Directors	117,952	105,800	99,700	111,700	5,900	6%
42 District Insurance	166,567	196,700	201,200	237,500	40,800	21%
43 Dues and Memberships	244,224	261,500	235,100	247,200	(14,300)	-5%
44 Public Outreach & Rebate Programs	156,161	161,600	102,300	100,000	(61,600)	-38%
45 Customer Service and Billing	70,744	102,600	77,200	81,600	(21,000)	-20%
46 Conference, Trainings and Travel	35,750	41,200	30,700	32,300	(8,900)	-22%
47 Miscellaneous Expense	46,692	56,200	176,400	187,700	131,500	234%
<b>48 Total General &amp; Administrative</b>	<b>2,520,050</b>	<b>2,403,300</b>	<b>2,395,700</b>	<b>2,582,900</b>	<b>179,600</b>	<b>7%</b>
<b>49 Total Expense</b>	<b>13,035,554</b>	<b>14,104,300</b>	<b>14,950,700</b>	<b>15,891,100</b>	<b>1,786,800</b>	<b>13%</b>
<b>50 Net Income / (Loss) from Operations</b>	<b>\$ 2,428,983</b>	<b>\$ 2,960,000</b>	<b>\$ 2,966,280</b>	<b>\$ 2,972,600</b>	<b>\$ 12,600</b>	<b>0%</b>

# Trabuco Canyon Water District

## Schedule D: FY 2026 Proposed Operating Budget Narrative

### Board Workshop May 27, 2025

1. **Fixed Service Charges** includes fixed service cost recovery revenue billed to customers for potable and recycled water service. The FY 2026 budget assumes partial implementations of the FY 2026 water and recycled rates included in the 2023 Cost-of-Service (COS) Study:

a. Potable Water Rates at 94.0% of the 2023 COS study rate plan for FY 2026, implemented July 1, 2025:

Utility	F/V	Size	25_TCWDRate	26_TCWDRate
Water	Fixed	5/8"	\$ 52.52	\$ 61.32
Water	Fixed	3/4"	\$ 52.52	\$ 61.32
Water	Fixed	1"	\$ 106.42	\$ 124.25
Water	Fixed	1 1/2"	\$ 196.27	\$ 229.16
Water	Fixed	2"	\$ 304.09	\$ 355.04
Water	Fixed	3"	\$ 645.51	\$ 753.68
Water	Fixed	4"	\$ 1,148.67	\$ 1,341.16
Water	Fixed	6"	\$ 2,352.63	\$ 2,746.88

b. Recycled Water Rates at 96.5% of the 2023 COS study rate plan for FY 2026, implemented July 1, 2025:

Utility	F/V	Size	25_TCWDRate	26_TCWDRate
Recycled	Fixed	5/8"	\$ 30.40	\$ 34.62
Recycled	Fixed	3/4"	\$ 30.40	\$ 34.62
Recycled	Fixed	1"	\$ 61.61	\$ 70.15
Recycled	Fixed	1 1/2"	\$ 113.63	\$ 129.38
Recycled	Fixed	2"	\$ 176.05	\$ 200.46
Recycled	Fixed	3"	\$ 373.71	\$ 425.54
Recycled	Fixed	4"	\$ 665.02	\$ 757.25
Recycled	Fixed	6"	\$ 1,362.05	\$ 1,550.96
Recycled	Fixed	8"	\$ 2,922.57	\$ 3,327.92
Recycled	Fixed	10"	\$ 4,379.05	\$ 4,986.42

2. **Variable Service Charges** include volumetric service cost recovery revenue billed to customers for potable and recycled water service. The FY 2026 budget assumes partial implementations of the FY 2026 water and recycled rates included in the 2023 Cost-of-Service (COS) Study:

a. Potable Water Rates at 94.0% of the 2023 COS study rate plan for FY 2026, implemented July 1, 2025:

## Trabuco Canyon Water District Schedule D: FY 2026 Proposed Operating Budget Narrative Board Workshop May 27, 2025

Utility	F/V	Size	25_TCWDRate	26_TCWDRate
Water	Commodity	SFT1	\$ 4.94	\$ 5.77
Water	Commodity	SFT2	\$ 5.75	\$ 6.71
Water	Commodity	SFT3	\$ 6.33	\$ 7.38
Water	Commodity	MFT1	\$ 5.19	\$ 6.06
Water	Commodity	MFT2	\$ 6.33	\$ 7.38
Water	Commodity	Commercial	\$ 5.32	\$ 6.20
Water	Commodity	Irrigation	\$ 5.32	\$ 6.20
Water	Commodity	Agricultural	\$ 5.32	\$ 6.20
Water	Commodity	Portola Hills	\$ 5.89	\$ 6.88
Water	Pumping	Zone 1 - Base	\$ -	\$ -
Water	Pumping	Zone 2 - Topanga	\$ 0.60	\$ 0.70
Water	Pumping	Zone 3 - Canyon C	\$ 1.06	\$ 1.23
Water	Pumping	Zone 4 - Falcon	\$ 1.62	\$ 1.88
Water	Pumping	Zone 5 - Joplin	\$ 0.17	\$ 0.19

- b. Recycled Water Rates at 96.5% of the 2023 COS study rate plan for FY 2026, implemented July 1, 2025:

Utility	F/V	Size	25_TCWDRate	26_TCWDRate
Recycled	Commodity	All	\$ 4.90	\$ 5.68

- Fixed Service Charges Pass-Through** includes charges to customers to recover the fixed portion of wholesale water pass-through cost increases above and beyond what was included within the 2023 Cost-of-Service Study financial plan. The pass-through rate provision was adopted by the Board during the Proposition 218 hearing process. The FY 2026 pass-through rate adjustments are estimated based on current conditions and are planned to be implemented based on known conditions on January 1, 2026.
- Variable Service Charges Pass-Through** includes charges to customers to recover the variable portion of wholesale water pass-through cost increases above and beyond what was included within the 2023 Cost-of-Service Study financial plan. The pass-through rate provision was adopted by the Board during the Proposition 218 hearing process. The FY 2026 pass-through rate adjustments are estimated based on current supply conditions and are planned to be implemented based on known conditions on January 1, 2026.
- BTP Wholesale Water Sales** includes reimbursement from the City of San Clemente for Baker Treatment Plant (BTP) water purchased from the District at wholesale rates. This line item accounts for the one-to-one reimbursement received for each acre-foot (AF) of water paid to the Municipal Water District of Orange County (MWD OC) for Metropolitan Water District of Southern California (MET) untreated water rates, excluding the SAC Operational Surcharge. FY 2026 is budgeted at 1,108 AF of wholesale water sold.

# Trabuco Canyon Water District

## Schedule D: FY 2026 Proposed Operating Budget Narrative

### Board Workshop May 27, 2025

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6. **BTP Maintenance Charges** includes the pro-rated reimbursement from the City of San Clemente for shared operating costs at the Baker Treatment Plant. The District is billed quarterly by Irvine Ranch Water District for ongoing operating costs at the plant. The FY 2026 budget is based on recovering this pro-rated share of projected plant operating costs based on projected internal usage and external sales of plant water during FY 2026 (1,108 AF of water sold and 92 AF of plant water used by the District).
7. **BTP Capital Recovery** includes the \$193 per AF cost recovery charge received by San Clemente for water sold at the Baker Treatment Plant. The FY 2026 budget is based on 1,108 AF of water sold at \$193 / AF.
8. **Wastewater Charges** include the fixed and variable charges billed to customers for wastewater service. The FY 2026 budget assumes Wastewater Rates implemented at 97.0% of the 2023 COS study rate plan on July 1, 2025:

Utility	F/V	Size	25_TCWDRate	26_TCWDRate
Wastewater	Fixed	Residential	\$ 53.27	\$ 60.56
Wastewater	Fixed	Commercial	\$ 14.60	\$ 16.60
Wastewater	Commodity	CL - Commercial Low	\$ 5.55	\$ 6.31
Wastewater	Commodity	CM - Commercial Medium	\$ 9.28	\$ 10.55
Wastewater	Commodity	CH - Commercial High	\$ 14.34	\$ 16.30

9. **Property Tax Receipts** include the ad valorem property tax revenue and standby charges received through the County of Orange. The FY 2026 budget is based on FY 2025 projected year end with a 2% increase.
10. **Customer Fees** include late charges, miscellaneous customer fees and sewer contracts with the Santa Margarita Water District for shared facilities. Late charges are assessed as a percentage of customer bills and are budgeted to increase in conjunction with increased rate revenues. Sewer contract revenue is difficult to predict, and no increase is budgeted on these contracts.
11. **Interest Revenue** includes the earnings on District unrestricted cash and investments. The FY 2026 budget is based on 4.0% interest earnings on projected unrestricted cash holdings throughout the year. Restricted interest earnings are legally restricted to funding the purpose for which the funds were received and are conservatively excluded from budgeted interest revenue.
12. **Miscellaneous Revenue** includes cell tower lease contract revenue and various refunds and reimbursements. The FY 2026 budget is based on the schedule of payments included in the contract with about \$5k budgeted for other miscellaneous sources.
13. **Total Revenue** is budgeted at \$18.86 million in FY 2026.
14. **Source of Supply** begins the section of water supply related expenses.

# Trabuco Canyon Water District

## Schedule D: FY 2026 Proposed Operating Budget Narrative

### Board Workshop May 27, 2025

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15. **Variable Water Purchases** include volumetric potable and recycled water purchases to meet customer water consumption demands. This includes the purchase of untreated water at the Dimension water treatment plant (DWTP), fully treated water purchases via neighboring agency connections, and MET / MWDOC surcharges on volumetric water. FY 2026 is budgeted higher than a typical fiscal year due to more expensive fully treated water purchases planned through the IRWD emergency connection at Ridgeline. Currently, the DWTP conveyance pipeline is non-operational, and the District has budgeted for 6-months of emergency water purchases during FY 2026.
16. **BTP Water Purchases TCWD** includes the volumetric cost of Baker Treatment Plant (BTP) water used internally to serve District customers at the MET/MWDOC untreated water rate and includes volumetric MET / MWDOC surcharges on all BTP water. The FY 2026 budget is based on 87 AF of water used by the District.
17. **BTP Maintenance Expense TCWD** includes the pro-rated share of operating costs at the Baker Treatment Plant. The District is billed quarterly by Irvine Ranch Water District for ongoing operating costs at the plant. The FY 2026 budget is based on projected operating costs and 87 AF of District water usage at the plant.
18. **Fixed Water Purchases** includes fixed costs of maintaining water supply infrastructure and availability from wholesale agencies. These costs are billed to the District through the Municipal Water District of Orange County (MWDOC). They are made up of the MWDOC retail meter charge, the Metropolitan Water District of Southern California (MET) readiness to serve charge, MET capacity charge, and MET standby charge. The FY 2026 budget is based on adopted rates posted by MWDOC.
19. **Chemicals & Electricity** includes chemicals and energy costs associated with water production. The FY 2026 budget is based on FY 2025 projected results with a 7% increase to electricity costs and 6% increase to chemical costs.
20. **Total Source of Supply** is budgeted at \$3.65 million for FY 2026.
21. **Cost of BTP Wholesale** begins the section of expenses directly associated with delivering wholesale water to the City of San Clemente through the District capacity at the Baker Treatment Plant.
22. **BTP Water Purchases for Wholesale** includes the cost of Baker Treatment Plant water sold to the City of San Clemente. This line item accounts for the per acre-foot (AF) charge for water paid to MWDOC at MET untreated water rates, excluding the SAC Operational Surcharge. FY 2026 is budgeted at 1,113 AF of wholesale water purchased to sell to the City of San Clemente.
23. **BTP Maintenance Expense Sales** includes the pro-rated cost allocated to the City of San Clemente for shared operating costs at the Baker Treatment Plant. The District is billed quarterly by Irvine Ranch Water District for ongoing operating costs at the plant. The FY 2026 budget is based on allocating this cost at a pro-rated share of projected plant operating costs and projected sales of plant water during FY 2026 (1,113 AF of water sold and 87 AF of plant water used by the District).
24. **Total Cost of BTP Wholesale** is budgeted at \$1.50 million for FY 2026.

# Trabuco Canyon Water District

## Schedule D: FY 2026 Proposed Operating Budget Narrative

### Board Workshop May 27, 2025

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25. **Staffing Resources** begins the section of expenses related to District personnel.
26. **Employee Compensation** includes salaries, wages and other pay compensated to District staff. FY 2026 is budgeted based on full staffing, (1) new customer service position, a 3% cost of living adjustment to salary ranges (based on the consumer price index for LA-Long Beach-Anaheim), and a 2.5% merit pool.
27. **Employee Benefits** include health, dental and vision benefits for District personnel. The FY 2026 budget is based on full staffing at current elections, (1) new customer service position, a 9% increase to medical insurance rates, and a 3% increase to dental and vision insurance rates.
28. **CalPERS Retirement Unfunded Liability** includes the minimum payment to the California Public Employees Retirement System (CalPERS) to fund future CalPERS retirement benefits. The FY 2026 budget is based on the District actuarial valuation reports released by CalPERS and changes annually with market conditions and actuarial assumptions.
29. **Retiree Health Insurance Payments** include retiree health insurance PAYGO (pay as you go) costs for health insurance. The FY 2026 budget is based on the actuarial valuation reports prepared by the contracted actuary.
30. **OPEB Trust Reimbursement** includes the amount reimbursed from the OPEB (Other Post-Employment Benefits) 115 Trust. The District plans to reimburse itself for retiree health insurance during FY 2026.
31. **Total Staffing Resources** is budgeted at \$5.87 million for FY 2026.
32. **Operations & Maintenance** begins the section of expenses related to District operations.
33. **System Repairs and Maintenance** includes funding for pipeline leaks, equipment repair, pumps repair, motors repair, electrical work, and other maintenance costs necessary to operate the District systems and equipment. The FY 2026 budget has increased with the recognition that the trend of unplanned system repair costs have increased with aging District infrastructure and sets aside funding for addressing these needs.
34. **Distribution Electricity** includes energy costs associated with distributing water to District customers. The FY 2026 budget is based on FY 2025 projected results with a 7% increase to energy costs.
35. **Vehicles and Equipment** includes fuel costs, vehicle repair, tools, and safety equipment. The FY 2026 budget is based on FY 2025 projections with an increase for inflation.
36. **Lab Testing & Supplies** includes testing and supply costs associated with water and recycled water compliance. The FY 2026 budget is based on FY 2025 projected results with a 7% increase for chemicals.
37. **Total Operations & Maintenance** is budgeted at \$2.29 million for FY 2026.
38. **General & Administrative** begins the section of expenses related to administration.

# Trabuco Canyon Water District

## Schedule D: FY 2026 Proposed Operating Budget Narrative

### Board Workshop May 27, 2025

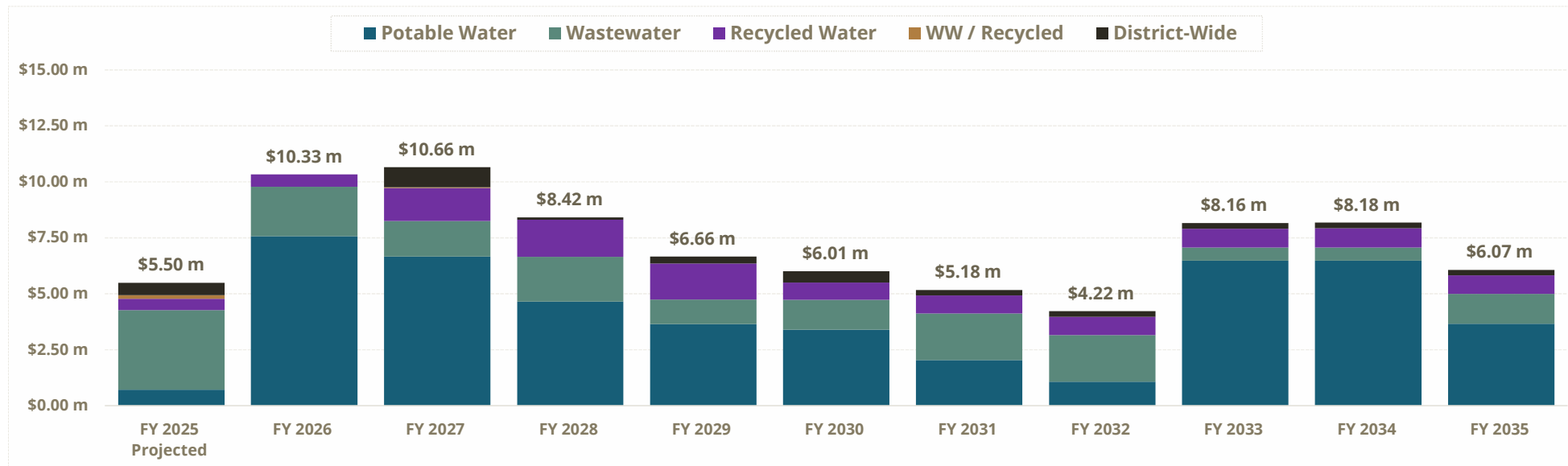
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39. **Professional Services** includes the cost of legal services, financial services, audit services, information technology (IT) services, rate consultants (if applicable), contract engineering services, and other miscellaneous professional services.
40. **Office Maintenance & Supplies** includes costs associated with office maintenance, computer software and hardware, telephone, office supplies, office electricity, and contract services.
41. **Board of Directors** includes Board stipends, Board health insurance, and Board travel expenses.
42. **District Insurance** includes the cost of general liability and auto insurance. The FY 2026 budget is based on an 18% increase to the most recent insurance policy with recent trends experienced in the insurance industry.
43. **Dues and Memberships** include the cost of various association dues, industry memberships and Local Agency Formation Commission (LAFCO) fees. The FY 2026 budget is based on the projected FY 2025 results (current memberships) with an increase for inflation.
44. **Public Outreach & Rebate Programs** include public outreach consultants and participation in conservation rebate programs administered by MWDOC. FY 2026 is budgeted based on anticipated rebate program participation and a reduction in public outreach consultant costs.
45. **Customer Service and Billing** includes customer service-related supplies, contract billing support, and billing fees / bank charges. FY 2026 is based on the FY 2025 projected results with an increase for inflation.
46. **Conference, Trainings and Travel** includes the cost of conference attendance, trainings and travel for District personnel. FY 2026 is budgeted for no increase in activity with an increase for inflation.
47. **Miscellaneous Expense** includes collection fees paid to the County for property taxes and an allowance for uncollectable customer accounts. The FY 2026 budget for the uncollectable allowance is based on 2% of variable service charges and 1% of wastewater charges.
48. **Total General & Administrative** is budgeted at \$2.59 million for FY 2026.
49. **Total Expense** is budgeted at \$16.23 million for FY 2026.
50. **Net Income / (Loss) from Operations** is budgeted at \$2.97 million for FY 2026.



# ***Capital Improvement Program Budget***

	FY 2025 Projected	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035
Potable Water	\$0.71 m	\$7.58 m	\$6.66 m	\$4.65 m	\$3.65 m	\$3.40 m	\$2.04 m	\$1.07 m	\$6.48 m	\$6.48 m	\$3.66 m
Wastewater	\$3.56 m	\$2.20 m	\$1.58 m	\$2.00 m	\$1.10 m	\$1.33 m	\$2.09 m	\$2.09 m	\$0.59 m	\$0.59 m	\$1.34 m
Recycled Water	\$0.51 m	\$0.56 m	\$1.49 m	\$1.67 m	\$1.62 m	\$0.77 m	\$0.80 m	\$0.82 m	\$0.84 m	\$0.87 m	\$0.82 m
WW / Recycled	\$0.15 m	\$0.00 m	\$0.03 m	\$0.00 m	\$0.00 m	\$0.00 m	\$0.00 m	\$0.00 m	\$0.00 m	\$0.00 m	\$0.00 m
District-Wide	\$0.56 m	\$0.00 m	\$0.90 m	\$0.10 m	\$0.30 m	\$0.50 m	\$0.25 m	\$0.25 m	\$0.25 m	\$0.25 m	\$0.25 m
<b>Total CIP</b>	<b>\$5.50 m</b>	<b>\$10.33 m</b>	<b>\$10.66 m</b>	<b>\$8.42 m</b>	<b>\$6.66 m</b>	<b>\$6.01 m</b>	<b>\$5.18 m</b>	<b>\$4.22 m</b>	<b>\$8.16 m</b>	<b>\$8.18 m</b>	<b>\$6.07 m</b>



TOP TEN PROJECT BUDGETS			TOP TEN BUDGETS NEXT YEAR		
Row Labels	10-Year Budget	Project Title	Row Labels	FY 2026	Project Title
PW-03	\$ 11,000,000	Transmission Main Replacement - DWTP to Ridgeline PS	PW-03	\$ 7,000,000	Transmission Main Replacement - DWTP to Ridgeline PS
PW-26	\$ 10,320,000	New Reservoir - Effective Volume 1.5 MG	WW-40	\$ 1,290,177	WWTP Hoffman Blower Building Rehabilitation
WW-39	\$ 3,913,400	Golf Club Sewer Lift Station Rehabilitation	RW-23	\$ 559,700	Tick & Dove Creek Pump Station Improvements
PW-20	\$ 3,489,000	10" Pipeline Replacement - Cooks Corner to Harris Grade	WW-50	\$ 370,000	WWTP Headworks Replacement
WW-28	\$ 3,000,000	New Force Main - Golf Club to WWTP	PW-02	\$ 300,000	DWTP Electrical Improvements
DW-01	\$ 2,350,000	Fleet & Heavy Equipment Purchases	PW-38	\$ 275,000	Saddle Crest Reservoir Outlet Pipe
PW-02	\$ 2,000,000	DWTP Electrical Improvements	WW-49	\$ 140,000	SMWD Chiquita WWTP Shared Capital
PW-29	\$ 2,000,000	Permanent Generator Installation at DWTP	DW-03F	\$ (250,000)	Admin Building Server Replacement - Funding
RW-24	\$ 1,999,700	Dove Lake Slide Gate Replacement			
WW-40	\$ 1,995,000	WWTP Hoffman Blower Building Rehabilitation			



New Project ID	Project Title Budget	System	Status	Total Project Budget (Net)	FY 2025 Projected	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035
DW-01	Fleet & Heavy Equipment Purchases	District-Wide	Program	2,350,000	-		200,000	100,000	300,000	500,000	250,000	250,000	250,000	250,000	250,000
DW-02	SCADA System Upgrades	District-Wide	In Process	1,690,500	263,928										
DW-03	Admin Building Server Replacement	District-Wide	In Process	300,000	300,000										
DW-04	Mobile Generators Purchase	District-Wide	New	700,000	-		700,000								
PW-00	Year 10 CIP Projection - PW	Potable Water	New	-	-										3,343,000
PW-01	Permanent Generator at Robinson Ranch Pump Station	Potable Water	Not Started	1,500,000	-						750,000	750,000			
PW-02	DWTP Electrical Improvements	Potable Water	Not Started	2,000,000	-	300,000	850,000	850,000							
PW-03	Transmission Main Replacement - DWTP to Ridgeline PS	Potable Water	Planning	11,000,000	200,000	7,000,000	3,800,000								
PW-04	DWTP Improvements - Phase 2	Potable Water	Not Started	391,800	-				391,800						
PW-05	Plano Trabuco Pump Station Improvements	Potable Water	Not Started	80,000	-				80,000						
PW-12	Canyon Creek Pump Station Improvements	Potable Water	Not Started	400,000	-			400,000							
PW-15	Rose Canyon Reservoir Coating and Site Improvements	Potable Water	Not Started	1,139,800	-		569,900	569,900							
PW-16	Harris Grade #1 Reservoir Coating and Site Upgrades	Potable Water	Not Started	989,900	-			494,950	494,950						
PW-17	Upper Dove Canyon Reservoir Coating and Site Upgrades	Potable Water	Not Started	1,279,800	-			1,279,800							
PW-18	Trabuco #2 Reservoir Coating and Site Improvements	Potable Water	Not Started	1,949,700	-					974,850	974,850				
PW-19	Trabuco #1 Reservoir Coating and Site Improvements	Potable Water	Not Started	1,149,800	-				574,900	574,900					
PW-20	10" Pipeline Replacement - Cooks Corner to Harris Grade	Potable Water	Planning	3,489,000	150,000		225,000		1,585,000	1,529,000					
PW-25	Fire Flow Availability Improvements	Potable Water	Not Started	1,539,800	-		800,000	739,800							
PW-26	New Reservoir - Effective Volume 1.5 MG	Potable Water	Not Started	10,320,000	-								5,160,000	5,160,000	
PW-29	Permanent Generator Installation at DWTP	Potable Water	Not Started	2,000,000	-								1,000,000	1,000,000	
PW-30	Robinson Ranch PS Upgrades	Potable Water	Not Started	-	-										
PW-31	PSPS Manual Transfer Switch Upgrades - PW	Potable Water	In Process	70,200	65,020										
PW-32	DWTP Office Trailer	Potable Water	Closed	55,000	55,000										
PW-33	DWTP Vault Improvements	Potable Water	Closed	50,000	50,000										
PW-35	Pressure Reducing Vault Improvements - PW	Potable Water	Program	386,600	26,600		40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000
PW-36	Pump Replacements - PW	Potable Water	Program	1,899,700	99,700		200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
PW-37	Valve Replacements - PW	Potable Water	Program	759,900	39,900		80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000	80,000
PW-38	Saddle Crest Reservoir Outlet Pipe	Potable Water	In Process	300,000	25,000	275,000									
PW-39	PRV Rehabilitation - Lyndsay and Plano / Dove	Potable Water	New	200,000	-				200,000						
PW-40	Dove Clubhouse Upgrades - Vault, Bypass Piping, Meter	Potable Water	New	100,000	-	-	100,000								
RW-00	Year 10 CIP Projection - RW	Recycled Water	New	-	-										821,000
RW-13	Dove Canyon Recycled Booster Pump Station	Recycled Water	In Process	1,430,000	61,040		560,000	800,280							
RW-23	Tick & Dove Creek Pump Station Improvements	Recycled Water	Not Started	1,119,400	-	559,700	559,700								
RW-24	Dove Lake Slide Gate Replacement	Recycled Water	Not Started	1,999,700	-		266,000	866,850	866,850						
RW-50	Dove Canyon Recycled PRV Improvement	Recycled Water	Construction	365,000	263,605		100,000								
RW-51	Reservoir V-Ditch Rehabilitation	Recycled Water	In Process	185,000	185,000										
RW-52	WWTP Access Road Paving Slurry Coat	WW / Recycled	New	30,000	-		30,000								
RW-X4	Recycled Water Future Projects Year 4	Recycled Water	New	750,000	-				750,000						
RW-X5	Recycled Water Future Projects Year 5	Recycled Water	New	772,500	-					772,500					
RW-X6	Recycled Water Future Projects Year 6	Recycled Water	New	795,700	-						795,700				
RW-X7	Recycled Water Future Projects Year 7	Recycled Water	New	819,600	-							819,600			
RW-X8	Recycled Water Future Projects Year 8	Recycled Water	New	844,200	-								844,200		
RW-X9	Recycled Water Future Projects Year 9	Recycled Water	New	869,500	-									869,500	

10-Year Capital Improvement Program  
 Alternate CIP Scenario 1



District-Wide  
 10-Year Project Detail Table

New Project ID	Project Title Budget	System	Status	Total Project Budget (Net)	FY 2025 Projected	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035
WR-01	WWTP Reservoir Gate Improvements	WW / Recycled	Closed	199,500	151,280										
WW-00	Year 10 CIP Projection - WW	Wastewater	New	-	-										750,000
WW-06	WWTP Influent EQB Piping to SBRs & Pump Improvements	Wastewater	Not Started	1,000,000	-		100,000	900,000							
WW-07	Barneburg Lift Station Upgrades	Wastewater	Not Started	100,000	25,000		75,000								
WW-08	Robinson Ranch WWTP Improvements - Phase 2	Wastewater	Not Started	1,322,700	-			661,350	661,350						
WW-09	Heritage Sewer Lift Station Rehabilitation	Wastewater	Construction	1,506,400	286,206	400,000	770,300								
WW-09P	Heritage Sewer Lift Station Pump Replacement	Wastewater	Closed	230,000	230,000										
WW-10	Plano Trabuco Lift Station Upgrades	Wastewater	Not Started	824,100	-		75,000			749,100					
WW-11	Via Allegre Lift Station Improvements	Wastewater	Not Started	122,300	-		122,300								
WW-12	WWTP Brine Tank Removal / Storage Facility	Wastewater	New	-	-										
WW-13	New Force Main - Oaks to El Toro or O'Neill	Wastewater	New	-	-										
WW-14	El Toro Lift Station Improvements	Wastewater	Not Started	-	-										
WW-24	5-year CCTV Monitoring Program	Wastewater	Program	900,000	-					150,000	150,000	150,000	150,000	150,000	150,000
WW-27	Robinson Ranch WWTP Improvements - Phase 3	Wastewater	Suspended	-	-										
WW-28	New Force Main - Golf Club to WWTP	Wastewater	Not Started	3,000,000	-						1,500,000	1,500,000			
WW-39	Golf Club Sewer Lift Station Rehabilitation	Wastewater	In Process	3,913,400	1,800,475										
WW-40	WWTP Hoffman Blower Building Rehabilitation	Wastewater	Planning	1,995,000	549,402	1,290,177									
WW-41	WWTP SCADA & Fiber Optic Upgrade	Wastewater	Construction	330,000	305,820										
WW-42	PSPS Manual Transfer Switch Installations - WW	Wastewater	In Process	73,400	65,043										
WW-45	El Toro Lift Station Force Main Discharge Valve Replacement	Wastewater	Closed	-	-										
WW-46	Wet Well Recoating Program	Wastewater	Program	270,000	-		30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
WW-47	Manhole Recoating Program	Wastewater	Program	300,000	30,000		30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000	30,000
WW-48	Pump Replacements - WW	Wastewater	Program	1,915,000	115,000		200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
WW-49	SMWD Chiquita WWTP Shared Capital	Wastewater	Program	1,840,000	125,000	140,000	175,000	175,000	175,000	175,000	175,000	175,000	175,000	175,000	175,000
WW-50	WWTP Headworks Replacement	Wastewater	In Process	380,000	10,000	370,000									
WW-51	WWTP Handrail Replacement - Segment B&C	Wastewater	In Process	20,000	20,000										
<b>Total</b>				<b>\$ 78,313,900</b>	<b>\$ 5,498,018</b>	<b>\$ 10,334,877</b>	<b>\$ 10,658,200</b>	<b>\$ 8,417,930</b>	<b>\$ 6,659,850</b>	<b>\$ 6,005,350</b>	<b>\$ 5,175,550</b>	<b>\$ 4,224,600</b>	<b>\$ 8,159,200</b>	<b>\$ 8,184,500</b>	<b>\$ 6,069,000</b>

**TRABUCO CANYON WATER DISTRICT  
SPECIAL BOARD MEETING | MAY 27, 2025**

**ACTION CALENDAR**

**ADMINISTRATIVE MATTERS**

**ITEM 3: CONSIDERATION OF PROPOSED UPDATED DISTRICT RESERVES POLICY**

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Trabuco Canyon Water District (TCWD or District) previously updated its Reserves Policy by resolution in 2015. In preparation for the adoption of the FY 2025-26 budget and financial plan, District staff and its consultant Starting Line Advisory identified areas of the policy that would benefit from new updates based recent internal discussions on long-term financial plan funding strategies and capital planning.

**FUNDING SOURCE:**

Not applicable.

**FISCAL IMPACT:**

To be determined

**COMMITTEE STATUS:**

This item was not reviewed by a Committee.

**RECOMMENDED ACTION:**

*Receive information at the time of the meeting and take action(s) as deemed appropriate.*

**EXHIBIT(S):**

1. Resolution No. 2015-1211 – Reserve Fund Policy
2. Proposed Cash Reserve Policy narrative
3. Proposed Reserve Policy Update Table

**CONTACTS (staff responsible): PALUDI/BERG/WARNER**

**RESOLUTION NO. 2015-1211**

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE TRABUCO CANYON WATER DISTRICT ADOPTING AND APPROVING A RESERVE FUNDS POLICY, DESIGNATING OPERATING RESERVE LEVELS, RESCINDING AND SUPERCEDING CERTAIN PRIOR RESOLUTIONS AND TAKING RELATED ACTIONS**

**WHEREAS**, the Trabuco Canyon Water District (“District” or “TCWD”) is a county water district organized and operating pursuant to California Water Code (“Water Code”) Sections 30000 and following; and

**WHEREAS**, the Board of Directors of TCWD (“Board”) is responsible for establishing policies for the prudent financial management of TCWD, including, but not limited to, policies concerning reserve funds, in consultation with TCWD’s General Manager, financial staff and TCWD’s Treasurer; and

**WHEREAS**, Section 5 of Article XIII B of the California Constitution expressly authorizes special districts and other local public agencies with the authority to establish reserve funds as they deem reasonable and proper to meet specific current and future needs of such special district; and

**WHEREAS**, the efficient use and management of such reserves helps to assure the current and future ability of TCWD to provide, transport, and distribute potable and recycled water to its customers and to provide wastewater services to its customers; and

**WHEREAS**, the Board has previously adopted Resolutions implementing policies and practices establishing certain reserve funds and designated funding levels to provide financial stability for extraordinary fiscal circumstances which may arise, the repair and replacement of facilities, the funding of debt obligations and to provide flexibility with respect to establishing rates and other matters as set out in the Resolutions described in Attachment “A,” attached hereto and incorporated herein by this reference (collectively, the “Prior Resolutions”); and

**WHEREAS**, the Board has received and considered information provided by TCWD staff and TCWD’s Treasurer with respect to TCWD’s Reserve Policy and Operating Reserve Fund levels; and

**WHEREAS**, the Board has considered the rescission and superseding of the Prior Resolutions; and

**WHEREAS**, the Board, based on the factors, information and conditions described herein, has determined that it is prudent and appropriate at this time to adopt an updated Reserve Fund Policy and designate Operating Reserve Fund Levels.

**NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE TRABUCO CANYON WATER DISTRICT DOES HEREBY RESOLVE, DETERMINE AND ORDER AS FOLLOWS:**

**Section 1. Recitals.** The Board does hereby find and determine that the foregoing recitals and above-referenced determinations are true and correct.

**Section 2. Authority.** The actions set out in this Resolution are authorized pursuant to State law, including, but not limited to, Section 5 of Article XIII B of the California Constitution and Sections 30523, 31000 and 31001 of the California Water Code.

**Section 3. Findings.** The Board hereby finds and determines as follows:

(a) The implementation of the Trabuco Canyon Water District Reserve Fund Policy is advisable, and in the best interests of TCWD, based upon the information presented to the Board.

(b) The designated Operating Reserve Fund levels are necessary to carry out the current and future mission and operations of TCWD.

**Section 4. Adoption of Reserve Fund Policy.** The Trabuco Canyon Water District Reserve Fund Policy attached hereto as Attachment “B” (and incorporated herein by this reference) is adopted as of the Effective Date (as defined herein). The Reserve Funds designated therein shall be created and/or maintained consistent with the provisions of this Resolution.

**Section 5. Designation of Operating Reserve Fund Levels.** The Board hereby designates the Operating Reserve Fund levels set out in Attachment “C” (and incorporated herein by this reference) for the corresponding Reserve Funds implemented hereby. TCWD’s Treasurer shall provide to the Board periodic written reports on the Operating Reserve Fund levels.

**Section 6. Rescission and Superseding Prior Resolutions.** The Prior Resolutions are hereby rescinded and superseded by this Resolution effective upon the Effective Date.

**Section 7. Further Actions.** The General Manager, the District’s Treasurer and the District’s staff and consultants are authorized to take any and all actions necessary to implement the directives and intention of this Resolution.

**Section 8. Periodic Review.** It is the policy of the Board that the amount(s) of the Reserve Funds will be reviewed at least annually by the Board (which may be in conjunction with the consideration and adoption of the annual TCWD budget), and may be changed by action of the Board in accordance with the stated criteria for each Reserve Fund specified herein; however, revisions of the stated criteria shall only be made by Board resolution.

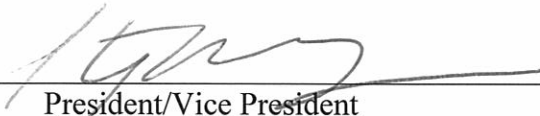
**Section 9. Effective Date.** This Resolution shall be effective upon adoption (“Effective Date”).

**Section 10. Effectiveness of Resolution.** The findings, determinations, directives and actions set out in this Resolution shall remain in force and effect until repealed, amended, rescinded or modified by action of the Board.

[Remainder of this page intentionally left blank]

**ADOPTED, SIGNED, and APPROVED** this 20<sup>th</sup> day of May, 2015.

**TRABUCO CANYON WATER DISTRICT:**

  
\_\_\_\_\_  
President/Vice President

  
\_\_\_\_\_  
Secretary/Assistant Secretary

STATE OF CALIFORNIA            )  
  ) ss.  
COUNTY OF ORANGE            )

I, Michael Perea, Secretary of the Board of the Trabuco Canyon Water District, do hereby certify that the foregoing resolution was duly adopted by the Board of such District at a meeting of such Board held on the 20<sup>th</sup> day of May, 2015, of which meeting all of the members of the Board had due notice and at which a quorum thereof were present and acting throughout and for which notice and an agenda was prepared and posted as required by law and that at such meeting such resolution was adopted by the following vote:

AYES:           Dopudja, Acosta, Haselton, Mandich, Safranski  
NOES:           None  
ABSTAIN:       None  
ABSENT:        None



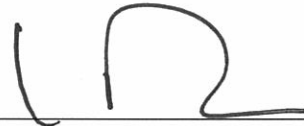
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Secretary of the Board,  
Trabuco Canyon Water District

STATE OF CALIFORNIA            )  
  ) ss.  
COUNTY OF ORANGE            )

I, Michael Perea, Secretary of the Board of the Trabuco Canyon Water District, do hereby certify that the foregoing is a full, true and correct copy of Resolution No. 2015-1211 of such Board and that the same has not been amended or repealed.

Dated this 20<sup>th</sup> day of May, 2015.



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Secretary of the Board,  
Trabuco Canyon Water District

**ATTACHMENT "A"**

**DESCRIPTION OF PRIOR RESOLUTIONS**

<b>RESOLUTION NO.</b>	<b>ADOPTED</b>	<b>TITLE</b>
99-887	June 16, 1999	RESOLUTION OF THE BOARD OF DIRECTORS OF TRABUCO CANYON WATER DISTRICT ESTABLISHING A WATER RATE STABILIZATION RESERVE FUND
99-888	June 16, 1999	RESOLUTION OF THE BOARD OF DIRECTORS OF TRABUCO CANYON WATER DISTRICT ESTABLISHING A SEWER RATE STABILIZATION RESERVE FUND
99-889	June 16, 1999	RESOLUTION OF THE BOARD OF DIRECTORS OF TRABUCO CANYON WATER DISTRICT ESTABLISHING A WORKING CAPITAL RESERVE FUND
99-890	June 16, 1999	RESOLUTION OF THE BOARD OF DIRECTORS OF TRABUCO CANYON WATER DISTRICT ESTABLISHING AN EMERGENCY REPAIR RESERVE FUND
99-891	June 16, 1999	RESOLUTION OF THE BOARD OF DIRECTORS OF TRABUCO CANYON WATER DISTRICT ESTABLISHING AN PERIODIC REPLACEMENT RESERVE FUND
99-892	June 16, 1999	RESOLUTION OF THE BOARD OF DIRECTORS OF TRABUCO CANYON WATER DISTRICT ESTABLISHING AN ACCOUNTING POLICY FOR DEBT SERVICE RESERVE FUND
2000-934A	November 15, 2000	RESOLUTION OF THE BOARD OF DIRECTORS OF TRABUCO CANYON WATER DISTRICT ESTABLISHING A SANITATION SYSTEM CAPITAL IMPROVEMENTS RESERVE FUND
2001-939	February 21, 2001	RESOLUTION OF THE BOARD OF DIRECTORS OF TRABUCO CANYON WATER DISTRICT ESTABLISHING AN EMERGENCY CAPITAL REPAIR RESERVE FUND

## ATTACHMENT "B"

### TRABUCO CANYON WATER DISTRICT RESERVE FUND POLICY

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1. **Working Capital (Operating) Reserve:** This reserve provides day to day working capital and also provides for contingency funds to continue operations in the event of an unanticipated short-term cash shortfall.

- **Source of reserve funding:** Excess net revenues over expenditures
- **Use of reserves:** In the normal course of operations, and can be drawn down the event of an unanticipated need for cash to maintain basic District operations
- **Recommendation:** Set this reserve at a minimum of 60 days of budgeted operating expenses; adjust annually when the final budget is adopted

2. **Refundable Deposits Reserve:** This reserve covers deposits made by an applicant for hydrant/construction meters and water use efficiency program deposits. As deposits are received a liability account is adjusted to display amount owed back to the applicant when the hydrant/construction meter is returned or the applicant's project is completed.

- **Source of reserve funding:** Deposits from applicants requesting a hydrant/construction meter or applicant for water use efficiency program
- **Use of reserves:** Funds are returned to applicant upon termination of service for hydrant/construction water and receipt of hydrant/construction meter to the District or completion of project per the water use efficiency program
- **Recommendation:** Dissolve this reserve since amounts are immaterial and any deposits owed back to homeowners or developers for meters can easily be paid for out of the District's working capital

3. **Developer Deposits Reserve:** This reserve covers deposits by developers or owners of property within the District's service area that request service for water, wastewater, and/or recycled water to their development and/or property. This reserve has been used by the District to ensure that deposits by developers/property owners for work done to new/existing property could be adequately drawn upon by the District, and refunded when the project is done. This reserve is used to cover the cost of administrative, engineering, and operations time and expenses required of project including time for plan checks, inspection, testing, and yearly administrative and account management fees. Any additional capital needed for project is requested to the developer and work is ceased until additional capital is received if the deposit is exhausted.

- **Source of reserve funding:** Deposits from developers and/or property owners

- Use of reserves: Labor time and expenses to review property and plans for project, conduct inspections, tests; and other District expenses for the project. Remaining funds are returned to developer upon completion of project.
- Recommendation: Dissolve this reserve since amounts are immaterial and none of the current amounts in this reserve are legally required to be separated

Individual developments and projects would continue to be monitored for work performed, costs incurred, and remaining deposit balance.

**4. Oaks at Trabuco Reserve:** This reserve was formerly called Interim Sewer. This is a deposit through an agreement with the developer of the Oaks at Trabuco Development. The reserve amount and designated investment is per the agreement with the developer, and is designed to be used by the District in the event that the developer becomes insolvent.

This reserve retains the interest that it earns and will be returned to the developer in the event that such a refund occurs in the future.

- Source of reserve funding: Funds provided by the Developer
- Use of reserves: Reserves are to be used in the event the project becomes insolvent and in accordance with the agreement
- Recommendation: Continue to adjust the amount in this reserve on a quarterly basis for interest and maintain reserve account, as required by the agreement

**5. Water and Sanitation Rate Stabilization Reserves:** These two reserve funds were established in the Financial Plan prepared in 2000. They were intended to provide rate stability in periods of fluctuating system demands. Minimum reserve amounts were recommended at 5% of annual operating expenses, less depreciation and amortization and plus interest earnings and loan principal payments. Maximum reserve amounts were recommended at 7.5%.

Typical uses for Rate Stabilization Reserves in the utility industry are to meet a portion of the utility's revenue requirements. The reserves allow for a smoothing of rates in the event of short to mid-term rate revenue loss and/or higher than anticipated budget costs that cannot be supported by normal revenues. Revenue losses for water can occur due to water conservation and expense hikes can be caused many variables, most notably infrastructure failure. Although revenues for Sanitation are fairly stable, there is a risk of large expenses in the event that fines were imposed from a spill or other public safety violation.

- Source of reserve funding: Excess net revenues over expenditures

- Use of reserves: To be used in the event of short-term, unusual events that increase the District's revenue requirements
- Recommendation: Set the Water Rate Stabilization Reserve at a minimum of 10% of budgeted operating revenues (less Standby and Other Revenues). Set the Sanitation Rate Stabilization Reserve at a minimum of 20% of budgeted operating expenses. Amounts to be adjusted annually during the budget adoption process.

**6. Internal Financing Reserve.** This reserve was formerly called the Special Designations Reserve, and was informally created to internally finance large construction costs or large one-time costs. This reserve allows the District to finance capital projects or other one-time material costs internally, which spares the District from interest expense associated with debt, and also allows for projects to commence on a timely basis.

For example, the District has several projects that will be paid for with the Water Reliability and Emergency Storage Fees approved in 2010. These funds are collected in level amounts over twenty years, however, the projects need to be paid for before that. The Internal Financing Reserve can be borrowed from to finance these projects, and then repaid when the fees are collected.

- Source of reserve funding: Excess revenues over expenditures, FEMA or Cal OES reimbursements, and WRES funds if this reserve was used to finance the projects
- Use of reserves: To be used in the budgeting process to cover or finance one-time, project costs
- Recommendation: Allow this reserve to fund projects and one-time events as Board approved

#### ***BOARD COMMITTED CAPITAL RESERVES***

**7. District Capital Projects Reserve:** This reserve was established to cover capital projects or large maintenance project for water or sanitation, or combined projects. Examples in the present and past include meter replacement programs (recently being funded by the EMC reserve), administration related items such as vehicles, master plans, computer software and hardware, and district equipment and building rehabilitation and repair for the administrative office.

- Sources: Excess net revenues over expenditures
- Uses: District wide capital administrative needs not identified in other reserve funds
- Recommendation: Use the reserve to fund projects that are district-wide administrative projects that both water and sanitation benefit from. Exclude costs that are related solely to Water or Sanitation. Initially fund this reserve at a flat amount of \$200,000, and then evaluate each year during the budget process.

8. **Equipment Maintenance Program Reserve:** It appears that this fund is a blend of the Emergency Repairs and Periodic Replacement Fund recommended in the financial plan performed in 2000. The Emergency Repairs Reserve was intended to be used in a natural disaster or emergency. The Periodic Replacement Fund was intended to be used to fund non-capital purchases under \$5,000, however, could also be used in the event of an emergency that required a capital outlay. Over the years, it has been the practice of the District to use this fund for routine, recurring, capital repair and replacement of the District facilities and equipment for both water and sanitation (capital outlay), and for capital and repair purchases or construction both above and below \$5,000.

Typical expenditures in this fund have included repairs and replacements in both the water and wastewater systems, including items such as meter purchases, pump station repairs, generators, pump and valve replacement and repairs, Supervisory Control and Data Acquisition (SCADA) improvements, reservoir rehabilitations, etc. Ideally, this reserve would be funded each year at a level amount from the water and sanitation rates, and drawn down as needed for capital repair/replacement and equipment purchases. This capital outlay expense would be budgeted in a separate section of the budget in order to track the amount projected and amount used.

- Sources: Excess revenues over expenditures
- Uses: As needed throughout the year for routine repairs and replacements
- Recommendation: Initially fund this reserve at \$900,000, and then review for appropriateness each year during the budget process. As these funds are used, there should be a mechanism to add reserve funding to the rates each year to help keep rates level in spite of changing capital and maintenance needs.

## RESTRICTED RESERVES

9. **Capital Improvement Charge (CIC) Reserve:** The purpose of this reserve is to provide funding for water distribution and treatment facilities required to provide water service to new development within the District's service area. It may also be used as a "buy in" fee for past costs incurred by the District to expand water distribution and treatment facilities.

Interest earned in this fund remains in this reserve fund.

- Source of reserve funding: Impact fees from developers and interest earnings
- Use of reserves: Can be drawn down to fund past and future infrastructure costs
- Recommendation: Continue to keep these reserves restricted, as legally required, and use to fund future improvements to the District's capacity

**10. Water Storage Facilities Reserve:** This reserve is used to provide for the water storage requirements mandated by the Districts Rules and Regulations to provide funding to obtain additional water storage capacity in order to meet operating, emergency and reserve water storage and fire flow requirements resulting from new development within the Districts area.

Interest earned remains in this reserve fund.

- Source of reserve funding: Impact fees from developers and interest earnings
- Use of reserves: Costs of project or acquisition that obtain additional storage capacity. This can include costs to finance, plan, design acquire property, construct, reconstruct, or rehabilitate a new facility.
- Recommendation: Continue to keep these reserves restricted, as legally required, and use to fund future improvements to the District's water storage facilities

**11. Sanitation Capital Improvement Reserve:** This reserve is used to fund capital improvements in the District's sanitation system. Developers pay this fee as a "buy in" to the system already developed by the District to adequately serve expansion, as well as additions to the system in the future. This reserve will increase as developer fees are collected, and decrease as expenditures incur to improve the sanitation and wastewater system.

Interest earned remains in this reserve fund.

- Source of reserve funding: Impact fees from developers and interest earnings
- Use of reserves: Costs can disbursed against past infrastructure costs or future capital improvements that increase capacity
- Recommendation: Continue to keep these reserves restricted, as legally required, and use to fund future improvements to the District's sanitation and wastewater capital improvements

**12. Baker Water Treatment Reserve:** This reserve is used to fund the Baker Water Treatment Plant. Five agencies have agreements with Irvine Ranch Water District, the lead agency, to plan, design, and construct the Baker Water Treatment Plant (WTP). The District capacity ownership of the Baker WTP is 4.598%. The District's capacity ownership in the Baker WTP is to provide reliability to its customers including access to Irvine Lake water as an emergency source of supply

Interest earned remains in this reserve fund.

- Source of reserve funding: Water Reliability and Emergency Storage (WRES) fees and interested earned

- Use of reserves: Planning, design, and construction costs for the Baker Water Treatment Plant
- Recommendation: Continue to keep these reserves restricted, as legally required, and use to fund the Baker Water Treatment Plant.

**13. Trabuco Creek Wells Reserve** This reserve is used to pay off a loan acquired through the California State Revolving Fund (SRF) for the planning, design, and construction of the Trabuco Creek Wells Facility that treats groundwater under the influence of surface water from the Rose Canyon and Lang Wells, as required by the California State Water Resources Control Board.

Interest earned remains in this reserve fund.

- Source of reserve funding: Water Reliability and Emergency Storage (WRES) fees and interest earned
- Use of reserves: To pay interest and principal payments for SRF loan
- Recommendation: Continue to keep these reserves restricted, as legally required, and use to pay the debt service on the SRF loan

**14. Reservoir/Distribution Improvements Reserve:** This reserve is used to fund the planning, design, and construction of a new 2 million gallon storage reservoir that will provide for additional operational and emergency water storage, providing further reliability and redundancy and for construction of a reservoir inter-tie transmission main and improvements to infrastructure in the Dove and Trabuco Highlands Community to improve the reliability and redundancy of the District's water transmission and distribution system.

Interest earned remains in this reserve fund.

- Source of reserve funding: Water Reliability and Emergency Storage (WRES) fees and interest earned
- Use of reserves: Future new 2 million gallon reservoir and improvements to existing transmission and distribution system
- Recommendation: Continue to keep these reserves restricted, as legally required, and use to fund future new 2 million gallon reservoir and improvements to the District's water transmission and distribution system

**15. RD#5 Reserve:** This reserve is used to fund the repair and replacement of infrastructure related to Reassessment District No. 5, El Toro Road sewer facilities, including the trunk sewer extension along El Toro Road and Santiago Canyon Road, and capacity ownership of Phase II of Santa Margarita Water District's Chiquita System.

- Source of reserve funding: Property tax assessments assigned to accounts in Community District Number Five (now inactive, but there is a balance remaining in the reserve from past assessments)
- Use of reserves: Constructions of sewer treatment capacity and facilities and reclaimed water facilities in the RD#5 zone
- Recommendation: Continue to keep these reserves restricted, as legally required, and use to fund future improvements to the District's system, which benefits the RD#5 zone directly or indirectly

**ATTACHMENT "C"**

**DESIGNATION OF OPERATING RESERVE FUND LEVELS**

## Reserves as of February 28, 2015

	Est.	Original Amount	Investment Restrictions	Investment Source	As of 2/28/15	Recommended Amount
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### COMMITTED OPERATING RESERVES

1	Checking Account	-		Wells Fargo		1,261,400	-
2	Working Capital	1999	565,225	LAIF		630,702	1,265,934
3	Capital Improvements (Charges)	?	889,223		Dev. Impact Fees	158,552	158,552
4	Interim Sewage Deposit	2010		LAIF	Developer	101,010	101,010
5	Water Rate Stabilization	1999	252,919	LAIF		479,560	393,820
6	Sewer Rate Stabilization	1999	-	LAIF		181,159	179,480
7	Special Designations/Internal Financing	?				3,124,848	3,124,848

### BOARD COMMITTED CAPITAL RESERVES

8	District Capital Projects	?				434,907	200,000
9	Equipment Maintenance Capital					559,023	900,000
10	Unrestricted-Investment at Cost			LAIF		(1,071,901)	-

### RESTRICTED RESERVES

11	Water Storage (Facilities)	?	383,434		Dev. Impact Fees	685,174	685,174
12	Sanitation System Capital Improvements	2000	210,592	LAIF	Dev. Impact Fees	271,190	271,190
13	Baker WTP	2010		None	WRES	-	-
14	Trabuco Creek Wells	2010		SRF loan	WRES	844,357	844,357
15	Reservoir/Distribution Improvements	2010		None	WRES	1,055,842	1,055,842
16	RD#5	2011	69,732	GF	RD Bond Surplus	70,593	70,593

X	17 Refundable Deposits	?	4,165			9,150	-	
X	18 Developer Deposits	?	39,335			53,318	-	
X	19 Emergency Capital Repair	2001	1,255,343	LAIF		-	-	
X	20 Debt Service	?	2,840,608	?		-	-	
X	21 Construction	1999	2,051,342	LAIF		-	-	
X	22 Emergency Repairs	1999	210,000	LAIF		-	-	
X	23 Periodic Replacements	1999	1,631,575	LAIF		-	-	
X	24 Investment in Fixed Assets	1999	1,632,962	LAIF		-	-	
X	25 Unreserved Retained Earnings	?	926,043	LAIF		-	-	
X	26 Deferred Compensation	?	122,501			-	-	
X-Recommendation to dissolve						Total	\$ 8,848,884	\$ 9,250,800

- a. 60 days of Budgeted Operating Expenses  
 $\$7,701,100 \text{ FY 14/15 budgeted operating expenses} \times 60/365 = \$1,265,934$
- b. 10% of Budgeted Operating Revenue  
 FY 14/15 Water Operating Revenues, less  
 Standby By and Other Operating Revenues                      \$ 3,938,200
- c. 20% of Budgeted Operating Expenses for FY 14/15  
 Sanitation Operating Expenses                                      \$ 897,400
- d. Based on historical average
- e. This amount will fluctuate as working capital changes throughout the year
- f. This shortage will be funded with Series B Bond Reserve proceeds as needed



## Purpose

The Trabuco Canyon Water District (the District) cash reserve policy establishes reserve funds, explains the purpose and size of each reserve, and provides an oversight of reserve fund management. Through maintaining cash reserves, the District commits adequate funding for ongoing operating costs, capital infrastructure and unanticipated emergencies. A properly designed reserve policy sends a positive signal to the community of ratepayers, bondholders, rating agencies and regulatory agencies, that the District is committed to forward-looking financial management and ensuring fiscal responsibility and financial sustainability. Reserve funds can provide intergenerational equity to ratepayers, meaning that ratepayers pay for services provided and used by them in the current period. Consistent with best practice in government water utilities, the District will utilize the cash reserve policy as a guide during the annual budget and financial planning procedures and will always strive to maintain sufficient reserve funds to meet targets set forth in this policy.

## Policy

The policy establishes three (3) pools of cash reserve types, with the following individualized reserve levels:

1. **Unassigned Reserve Funds** are funds that have not been designated or legally restricted. The District will use unassigned reserve funds during day-to-day operations. This includes funds held in the District bank and investment accounts that are not legally restricted and have not been designated by Board action. There is no minimum target for unassigned reserve funds.
2. **Designated Reserve Funds** are designated by the Board for specific purposes. The District will establish designated reserves to ensure financial sustainability and to stabilize cash flow. The District can utilize these funds to meet short-term and long-term obligations, invest in capital infrastructure, smooth rates, absorb economic downturns or address unplanned emergencies. The Board of Directors will approve a transfer of designated reserve funds during the annual budget process, in which the Board will authorize the General Manager or District Treasurer to execute a transfer of reserve funds on July 1<sup>st</sup> of the budgeted fiscal year. Designated reserve transfers outside of the annual budget process must be authorized by Board resolution. Unless otherwise stated in this cash reserve policy, interest derived from designated reserve balances will be considered unrestricted and unassigned in nature. The purposes, funding sources, targets, and uses of designated reserve funds are as follows:



## Cash Reserve Policy

<b>Designated Reserve Fund</b>	<b>Purpose</b>	<b>Funding Source</b>	<b>Funding Levels</b>	<b>Use</b>
<b>Operating and Rate Stabilization Reserve</b>	Provide operating cash flow and rate-smoothing options	Excess Net Revenues over Expenses from Operations, interest earnings	3 to 6 months operating expense budget plus 1-year of debt service, excluding the 2011 SRF Loan, Baker Treatment Plant wholesale expenses, and depreciation and amortization expenses	Operating budget deficits, rate-smoothing
<b>Capital Program Reserve</b>	Provide funding for the Capital Improvement Program (CIP)	Excess Net Revenues over Expenses from Operations, interest earnings	Minimum equal to depreciation from audited financials  Maximum equal to the annual average of 10-Year CIP	Capital Improvement Program expenses
<b>Water Emergency Reserve</b>	Provide funding for unplanned events in the potable water system	Excess Net Revenues over Expenses from Operations, interest earnings	Minimum: 5% of capital assets net of depreciation  Target: \$2,500,000	Operating budget deficits, unplanned repairs, emergency response, system compliance
<b>Wastewater Emergency Reserve</b>	Provide funding for unplanned events in the wastewater system	Excess Net Revenues over Expenses from Operations, interest earnings	Minimum: 5% of capital assets net of depreciation  Target: \$2,000,000	Operating budget deficits, unplanned repairs, emergency response, system compliance
<b>Recycled Emergency Reserve</b>	Provide funding for unplanned events in the recycled water system	Excess Net Revenues over Expenses from Operations, interest earnings	Minimum: 5% of capital assets net of depreciation  Target: \$500,000	Operating budget deficits, unplanned repairs, emergency response, system compliance



## Cash Reserve Policy

3. **Restricted Reserve Funds** satisfy external requirements and restraints of agreements, creditors, grantors, or law. Restricted reserve funds shall be maintained in separate accounts and distinguished from unassigned reserves and designated reserves.

<b>Restricted Reserve Fund</b>	<b>Purpose</b>	<b>Funding Source</b>	<b>Target</b>	<b>Use</b>
<b>Capital Loans Reserve</b>	Debt-funded Capital Improvement Program (CIP) projects	Proceeds from debt issuance, interest earnings	No minimum target	Debt-funded projects
<b>Capital Improvement Charge (CIC) Reserve</b>	Fund water distribution and treatment facilities	Impact fees from developers and interest earnings	No minimum target	Future improvements to District capacity
<b>Water Storage Facilities Reserve</b>	Fund additional water storage capacity to meet storage and fire flow requirements	Impact fees from developers and interest earnings	No minimum target	Future improvements to District water storage facilities
<b>Wastewater Capacity Fees Reserve</b>	Fund future improvements to the District's wastewater infrastructure	Impact fees from developers and interest earnings	No minimum target	Future improvements to District wastewater system
<b>State Revolving Fund Loan Reserve</b>	2011 State Revolving Fund Loan covenant compliance	Current District water charges or previously collected Water Reliability and Emergency Storage Fees	One-year of debt service for the 2011 State Revolving Fund Loan	Payments toward the 2011 State Revolving Fund Loan



## Cash Reserve Policy

<b>Oaks at Trabuco Reserve</b>	Protect the District from developer insolvency	Deposit with developer of the Oaks at Trabuco, interest earnings	Reserve amount designated and investment per the agreement	Used if the developer becomes insolvent
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### Oversight and Reporting of Reserve Funds

Reserve levels are monitored throughout the fiscal year by the District Treasurer. The Treasurer will provide reporting of reserve fund levels to the Finance/Audit Committee of the Board of Directors each month. The Board of Directors can waive policy requirements in an emergency situation.

### Annual Review of Cash Reserve Policy

The cash reserve policy will be reviewed and updated annually during the budget process to ensure conformance with the District's strategic goals and objectives and updated as necessary in compliance with material changes in risk exposures, legal requirements, regulations, or standards.

## Reserve Policy Update Table

Current Reserve Title	New Reserve Title	Current Policy	Recommended Policy	Amount Per Current Policy 3/31/25	Balance at 3/31/25	Proposed Transfer	Proposed Balance 4/1/25	Minimum New Policy Target
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### Unassigned Reserve Funds

	<b>Checking Account</b>		Maintain funds for day-to-day operations and customer payments.		\$ 1,079,338		\$ 1,079,338	\$ -
	<b>Unassigned Reserve</b>		No minimum. Implement unassigned reserve as holding account prior to Board action to reserve funds.			\$ 1,409,666	\$ 1,409,666	\$ -

### Board Committed Reserve Funds

Working Capital (Operating) Reserve	<b>Operating and Rate Stabilization Reserve</b>	60 days budgeted operating expenses	Min 3-months days or max 6-months budgeted operating costs (excluding Baker Treatment Plant wholesale expenses), plus annual debt service (excluding 2011 SRF loan debt service)	\$ 2,344,367			\$ -	\$ 4,023,400
	<b>Capital Program Reserve</b>		Min annual depreciation expense and max annual average of planned 10-year CIP			\$ 2,613,152	\$ 2,613,152	\$ 4,347,932
	<b>Water Emergency Reserve</b>		Min 5% of capital assets net of depreciation, max \$2,500,000 for emergency spending				\$ -	\$ 1,348,183
	<b>Wastewater Emergency Reserve</b>		Min 5% of capital assets net of depreciation, max \$2,000,000 for emergency spending				\$ -	\$ 857,919
	<b>Recycled Emergency Reserve</b>		Min 5% of capital assets net of depreciation, max \$500,000 for emergency spending				\$ -	\$ 199,788

### Restricted Reserve Funds

	<b>Capital Loans Reserve</b>		Holding reserve for loan proceeds received and legally restricted for use on capital projects		\$ 8,139,550		\$ 8,139,550	\$ 8,139,550
Capital Improvement Charge (CIC) Reserve	<b>Capital Improvement Charge (CIC) Reserve</b>	Developer impact fees and related interest earnings	No change	\$ -	\$ -		\$ -	\$ -
Water Storage Facilities Reserve	<b>Water Storage Facilities Reserve</b>	Developer impact fees and related interest earnings	No change	\$ 1,161,420	\$ 1,161,420		\$ 1,161,420	\$ 1,161,420
Sanitation Capital Improvement Reserve	<b>Wastewater Capacity Fees</b>	Developer impact fees and related interest earnings	No change		\$ -		\$ -	\$ -
Trabuco Creek Wells Reserve	<b>State Revolving Fund Loan Reserve</b>	WRES fees and interest earned	Equal to the sum of future loan payments from WRES fee collections for remaining loan payments		\$ 239,584	Sources less uses	\$ 239,584	\$ 239,584
Oaks at Trabuco Reserve	<b>Oaks at Trabuco Reserve</b>	Adjusted per agreement, with interest	No change	\$ 124,054	\$ 124,054		\$ 124,054	\$ 124,054

### Reserve Funds to Dissolve

Water Rate Stabilization Reserve		10% budgeted operating revenues	Consolidate into new uniform "Operating and Rate Stabilization Reserve"	\$ 1,117,960	\$ -				
Sewer Rate Stabilization Reserve		20% budgeted operating expenses	Consolidate into new uniform "Operating and Rate Stabilization Reserve"	\$ 576,840	\$ -				
Internal Financing Reserve		Funded by various sources to plan ahead to finance capital	Repurpose funds into updated reserve funds in line with industry practices	Board Committed	\$ 1,409,666	\$ (1,409,666)			
District Capital Projects Reserve		Shared projects, flat amount \$200K	Dissolve this reserve and cover planned capital with new capital program reserve	\$ 200,000					
Equipment Maintenance Program Reserve		Initial funding \$900K and reviewed for appropriateness annually during budget process	Dissolve this reserve and cover planned capital with new capital program reserve	\$ 900,000					
Reservoir/Distribution Improvements Reserve		WRES fees and interest earned	Dissolve this reserve and transfer funds into capital program reserve	\$ 2,613,152	\$ 2,613,152	\$ (2,613,152)			
Baker Water Treatment Reserve		WRES fees and interest earned	Dissolve as WRES charges are no longer collected	Sources less uses	\$ -				
RD#5		Property tax assessments assigned to accounts in Community District #%, which is now inactive	Remove zero balance reserve and update policy in line with industry practices	Sources less uses	\$ -				
<b>TOTAL</b>					<b>\$ 9,037,792</b>	<b>\$ 14,766,763</b>	<b>\$ -</b>	<b>\$ 14,766,763</b>	<b>\$ 20,441,829</b>

#### Color Key:

Legally restricted reserve
Recommendation to dissolve