

**NOTICE OF SPECIAL MEETING
OF THE
SOUTH ORANGE COUNTY WASTEWATER AUTHORITY
FINANCE COMMITTEE
June 27, 2018
8:00 a.m.**

NOTICE IS HEREBY GIVEN that a Special Meeting of the South Orange County Wastewater Authority (SOCWA) Finance Committee was called by the Chairman to be held on **June 27, 2018 at 8:00 a.m.** at the SOCWA Administrative Office located at 34156 Del Obispo Street, Dana Point, California.

THE SOCWA MEETING ROOM IS WHEELCHAIR ACCESSIBLE. IF YOU REQUIRE ANY SPECIAL DISABILITY RELATED ACCOMMODATIONS (I.E., ACCESS TO AN AMPLIFIED SOUND SYSTEM, ETC.) PLEASE CONTACT THE SOUTH ORANGE COUNTY WASTEWATER AUTHORITY SECRETARY'S OFFICE AT (949) 234-5421 AT LEAST TWENTY-FOUR (24) HOURS PRIOR TO THE SCHEDULED MEETING. THIS AGENDA CAN BE OBTAINED IN ALTERNATE FORMAT UPON WRITTEN REQUEST TO THE SOUTH ORANGE COUNTY WASTEWATER AUTHORITY'S SECRETARY AT LEAST TWENTY-FOUR (24) HOURS PRIOR TO THE SCHEDULED MEETING.

AGENDA EXHIBITS AND OTHER WRITINGS THAT ARE DISCLOSABLE PUBLIC RECORDS DISTRIBUTED TO ALL, OR A MAJORITY OF, THE MEMBERS OF THE SOUTH ORANGE COUNTY WASTEWATER AUTHORITY FINANCE COMMITTEE IN CONNECTION WITH A MATTER SUBJECT TO DISCUSSION OR CONSIDERATION AT AN OPEN MEETING OF THE FINANCE COMMITTEE ARE AVAILABLE FOR PUBLIC INSPECTION IN THE AUTHORITY OFFICE, 34156 DEL OBISPO STREET, DANA POINT, CA ("AUTHORITY OFFICE"). IF SUCH WRITINGS ARE DISTRIBUTED TO MEMBERS OF THE FINANCE COMMITTEE LESS THAN TWENTY-FOUR (24) PRIOR TO THE MEETING, THEY WILL BE AVAILABLE IN THE RECEPTION AREA OF THE AUTHORITY OFFICE AT THE SAME TIME AS THEY ARE DISTRIBUTED TO THE FINANCE COMMITTEE MEMBERS, EXCEPT THAT, IF SUCH WRITINGS ARE DISTRIBUTED IMMEDIATELY PRIOR TO, OR DURING, THE MEETING, THEY WILL BE AVAILABLE IN THE FINANCE COMMITTEE MEETING ROOM.

AGENDA

- 1. Call Meeting to Order**
- 2. Pledge of Allegiance**
- 3. Public Comments**

THOSE WISHING TO ADDRESS THE FINANCE COMMITTEE ON ANY ITEM LISTED ON THE AGENDA SHOULD SUBMIT A "REQUEST TO BE HEARD" FORM TO THE CLERK OF THE BOARD BEFORE THE PRESIDING OFFICER ANNOUNCES THAT AGENDA ITEM. YOUR NAME WILL BE CALLED TO SPEAK AT THAT TIME.

NOTICE OF SPECIAL MEETING – FINANCE COMMITTEE

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4. Approval of Minutes

- a) Finance Committee Meeting Minutes of August 29, 2017
- b) Finance Committee Meeting Minutes of June 14, 2017
- c) Finance Committee Meeting Minutes of June 12, 2017

5. Financial Matters – Month of April 2018 Financials

Recommendation

Staff recommends that the Finance Committee recommends to the Board of Directors to:

- 1) Ratify the Summary of Disbursements for the period from April 1, 2018 through April 30, 2018 (attached as Exhibit A).
- 2) Receive and file the following as information items:
 - Schedule of Funds Available for Reinvestment (Exhibit B)
 - Schedule of Cash and Investments (Exhibit C)
 - Capital Schedule (Exhibit D)
 - Capital Projects Graph (Exhibit D-1)
 - Budget vs. Actual Expenses:
 - a. Operations and Environmental Summary (Exhibit E-1)
 - b. Residual Engineering, after transfer to Capital (Exhibit E-2)
 - c. Administration (Exhibit E-3)
 - d. Information Technology (IT) (Exhibit E-4)

6. UAL Distribution by Member Agency – Method Update

Presentation by: Nyhart & Bartel Associates LLC

Recommendation: Discussion and Direction to staff

7. CalPERS Special Compensation Reimbursements

Recommendation: Discussion and Direction to staff

8. Annual Review of SOCWA Investment Policy and Public Funds

Recommendation: Information Item; receive and file

9. Adjournment

I hereby certify that the foregoing Notice was personally emailed or mailed to each member of the SOCWA Finance Committee at least 24 hours prior to the scheduled time of the Special Meeting referred to above.

NOTICE OF SPECIAL MEETING – FINANCE COMMITTEE

June 27, 2018

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I hereby certify that the foregoing Notice was posted at least 24 hours prior to the time of the above-referenced Finance Committee at the usual agenda posting location of the South Orange County Wastewater Authority and at www.socwa.com.

Dated this 22nd day of June 2018.



Betty C. Burnett, General Manager/Secretary
SOUTH ORANGE COUNTY WASTEWATER AUTHORITY

**MINUTES OF SPECIAL MEETING
OF THE
SOUTH ORANGE COUNTY WASTEWATER AUTHORITY
Finance Committee
August 29, 2017**

The Special Meeting of the South Orange County Wastewater Authority (SOCWA) Finance Committee Meeting was held on August 29, 2017 at 8:30 a.m. at their Administrative Offices located at 34156 Del Obispo Street, Dana Point, California. The following members of the Finance Committee were present:

DENNIS ERDMAN	South Coast Water District
RAY MILLER	City of San Juan Capistrano
MATT COLLINGS	Moulton Niguel Water District
TONI ISEMAN	City of Laguna Beach
FRED ADJARIAN	El Toro Water District
DAN FERONS	Santa Margarita Water District

Staff Present:

BETTY BURNETT	General Manager/Secretary [arrival 8:38 a.m.]
PAT GIANNONE	Bowie, Arneson, Wiles & Giannone
MARY CAREY	Finance Controller
BRIAN PECK	Director of Engineering
JIM BURROR	Director of Operations & Maintenance
AMBER BAYLOR	Director of Environmental Compliance
NAYDN KIM	Accountant
KEVIN ZABAT	Sr. Accountant
JEANETTE CONTINOLA	Procurement & Contract Administrator
TERI NOSON	Executive Assistant/Clerk of the Board

Also Present:

NEELY SHAHBAKHTI	El Toro Water District
DENNIS CAFFERTY	El Toro Water District
HECTOR RUIZ	Trabuco Canyon Water District

1. Call Meeting to Order

Chairman Erdman called the meeting to order at 8:33 a.m. and welcomed everyone present. Director Iseman led the Pledge of Allegiance to the Flag of the United States of America.

2. Public Comments

Mr. Ruiz requested to provide comments on item 6. General Fund Policy on Allocation of Costs to General Fund. Chairman Erdman duly noted request. Ms. Carey requested to hold item 6. General Fund Policy on Allocation of Costs to General Fund for discussion.

3. Year End June 30, 2017 Financials

ACTION TAKEN

Motion was made by Director Adjarian and seconded by Director Ferons to ratify the Summary of Disbursements in the amount of \$2,223,331 for the period of June 1, 2017 through June 30, 2017 and to receive and file the June 30, 2017 Financial Reports (Preliminary).

Motion carried: Aye 6; Nay 0; Abstain 0; Absent 0

Director Collings	Aye
Director Erdman	Aye
Director Miller	Aye
Director Ferons	Aye
Director Iseman	Aye
Director Adjarian	Aye

4. Year End June 30, 2017 Financial Auditing Services – Selection of Auditor

ACTION TAKEN

Motion was made by Director Adjarian and seconded by Director Miller to select The Pun Group as the audit firm for recommendation to the Board of Directors at the September 7, 2017, Board meeting; and, recommend to the Board of Directors a Budget increase to the General Fund/Administration Budget of \$5,000 for additional audit costs.

Motion carried: Aye 6; Nay 0; Abstain 0; Absent 0

Director Collings	Aye
Director Erdman	Aye
Director Miller	Aye
Director Ferons	Aye
Director Iseman	Aye
Director Adjarian	Aye

5. Infrastructure Valuation Services

ACTION TAKEN

Motion was made by Director Miller and seconded by Director Adjarian to recommend to the Board of Directors the selection of Carollo Engineers as the firm to perform the Infrastructure Valuation Services; and, inclusion of \$115,000 in funding as an adjustment to the FY 2017-18 Administration Budget to cover this item.

Motion carried: Aye 6; Nay 0; Abstain 0; Absent 0

Director Collings	Aye
Director Erdman	Aye
Director Miller	Aye
Director Ferons	Aye
Director Iseman	Aye
Director Adjarian	Aye

6. General Fund Policy on Allocation of Costs to General Fund

Mr. Ruiz provided comments supporting SOCWA's consideration of adopting a policy for the General Fund Budget that includes appropriate items related to the JPA; including equal sharing of the General Fund among member agencies with an unanimous vote. Mr. Ruiz noted traditionally the General Fund has not been divided equally among member agencies and has been approved unanimously by the Board. This last year, in June, the General Fund Budget was approved without an unanimous vote, and was distributed equally among the member agencies. Trabuco Canyon Water District (TCWD) voted against the fund because it was unclear as to the functions and costs that were included in the General Fund Budget and it was presented without giving TCWD anytime to consider the cost allocations that were approved by this Committee as well as the time to consider the basis or justification for these components of the General Fund.

The Board had recommended that the Finance Committee review and consider this matter again. TCWD would like to bring forth some items for consideration and inclusion into a proposed policy. TCWD is currently evaluating this item and soliciting consulting firms to contract the work out, as well as trying to determine the cost for this work.

TCWD is requesting the Finance Committee recommend to the Board to continue this item for another month so that the policy can be developed/worked on and to allow TCWD to bring forth some items to consider.

ACTION TAKEN

There being no objection, Chairman Erdman directed that this item be brought back to the September Finance Committee meeting for discussion; and, that staff add an information item to the September Board of Directors meeting agenda reporting that the Finance Committee will be considering this item at the September Finance Committee meeting, and will provide a report at the October Board of Directors meeting on this item.

7. Implementation of Additional Retiree Health Benefits Tier

ACTION TAKEN

Motion was made by Director Ferons and seconded by Director Iseman to recommend to the Board of Directors authorization to be given to the General Manager to execute the following: 1) Administration Services Agreement, 2) Resolution for Adoption and Statement of adoption, 3) VantageCare Retirement Health Savings (RHS) Adoption Agreement, 4) Declaration of Trust, 5) Retiree Welfare Benefits Plan; and, recommend to the Board of Directors a budget adjustment to the FY 2017-18 SOCWA Administration Budget to add \$2500 for the Funding of the ADP Services Attendant to the Tier I reimbursements.

Motion carried: Aye 6; Nay 0; Abstain 0; Absent 0

Director Collings	Aye
Director Erdman	Aye
Director Miller	Aye
Director Ferons	Aye
Director Iseman	Aye
Director Adjarian	Aye

8. General Manager Report on Open Items

Ms. Burnett reported that the Board of Directors requested that the Finance Committee follow up on correspondence received July 24th from MNWD with issues with the process of the adoption of the budget. Ms. Burnett reported that staff provided a letter prepared by legal counsel to MNWD Board seeking information.

The next Finance Committee meeting was scheduled for Sept 21st at 9:30 a.m.

Adjournment

There being no further business, Chairman Erdman adjourned the meeting at 9:38 a.m.

I HEREBY CERTIFY that the foregoing Minutes are a true and accurate copy of the Minutes of Special Meeting of the South Orange County Wastewater Authority Finance Committee of August 29, 2017 and approved by the Finance Committee and received and filed by the Board of Directors of the South Orange County Wastewater Authority.

Betty Burnett, General Manager/Secretary
SOUTH ORANGE COUNTY WASTEWATER AUTHORITY

**MINUTES OF SPECIAL MEETING
OF THE
SOUTH ORANGE COUNTY WASTEWATER AUTHORITY
Finance Committee
June 14, 2017**

The Special Meeting of the South Orange County Wastewater Authority (SOCWA) Finance Committee Meeting was held on June 14, 2017 at 12:00 p.m. at their Administrative Offices located at 34156 Del Obispo Street, Dana Point, California. The following members of the Finance Committee were present:

ANDY BRUNHART	South Coast Water District
RAY MILLER	City of San Juan Capistrano
MATT COLLINGS	Moulton Niguel Water District
FRED ADJARIAN	El Toro Water District [arrival 12:04 p.m.]
DAN FERONS	Santa Margarita Water District

Absent:

TONI ISEMAN	City of Laguna Beach
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Staff Present:

BETTY BURNETT	General Manager/Secretary
PAT GIANNONE	Bowie, Arneson, Wiles & Giannone
MARY CAREY	Finance Controller
KEVIN ZABAT	Senior Accountant
TERI NOSON	Executive Assistant/Clerk of the Board
JIM BURROR	Director of Operations
AMBER BAYLOR	Director of Environmental Compliance

Also Present:

NEELY SHAHBAKHTI	El Toro Water District
DENNIS CAFFERTY	El Toro Water District
JOONE LOPEZ	Moulton Niguel Water District
JENNIFER FARR	Davis Farr LLP
HECTOR RUIZ	Trabuco Canyon Water District

1. Call Meeting to Order

Director Ferons called the meeting to order at 12:00 p.m. and welcomed everyone present.

2. Public Comments

There were no public comments.

3. Financial Statements & Independent Auditors Report FY Ending June 30, 2016

ACTION TAKEN

Motion was made by Director Adjarian and seconded by Director Miller to recommend acceptance of and to receive and file the Audited Statements prepared by DavisFarr, excluding the supplementary information that is included in the current document until such time as supplementary information is clarified, analyzed and potentially restated.

Motion carried: Aye 4; Nay 1; Abstain 0; Absent 1

Director Collings	Nay
Director Brunhart	Aye
Director Miller	Aye
Director Ferons	Aye
Director Iseman	Absent
Director Adjarian	Aye

4. FY 2017-18 SOCWA Budget

ACTION TAKEN

Motion was made by Director Collings and seconded by Director Ferons to recommend to the Board of Directors the SOCWA General Fund 2017/18 proposed to be made up of: Public Notices/Public Relations (related only to the JPA) -100 percent, Office Equipment - 100 percent, Audit - 100 percent, Legal - 40 percent, Outside Services – 100 percent, Office Supplies - 100 percent, Miscellaneous - 100 percent, IT Allocation - 5.5 percent, Executive Assistant - 50 percent, General Manager - 50 percent, Controller - 5 percent and allocated equally.

Motion carried: Aye 4; Nay 1; Abstain 0; Absent 1

Director Collings	Aye
Director Brunhart	Nay
Director Miller	Aye
Director Ferons	Aye
Director Iseman	Absent
Director Adjarian	Aye

Adjournment

There being no further business, Chairman Ferons adjourned the meeting at 1:53 p.m.

I HEREBY CERTIFY that the foregoing Minutes are a true and accurate copy of the Minutes of Special Meeting of the South Orange County Wastewater Authority Finance Committee of June 14, 2017 and approved by the Finance Committee and received and filed by the Board of Directors of the South Orange County Wastewater Authority.

Betty Burnett, General Manager/Secretary
SOUTH ORANGE COUNTY WASTEWATER AUTHORITY

**MINUTES OF SPECIAL MEETING
OF THE
SOUTH ORANGE COUNTY WASTEWATER AUTHORITY
Finance Committee
June 12, 2017**

The Special Meeting of the South Orange County Wastewater Authority (SOCWA) Finance Committee Meeting was held on June 12, 2017 at 3:30 p.m. at their Administrative Offices located at 34156 Del Obispo Street, Dana Point, California. The following members of the Finance Committee were present:

ANDY BRUNHART	South Coast Water District
RAY MILLER	City of San Juan Capistrano
MATT COLLINGS	Moulton Niguel Water District
TONI ISEMAN	City of Laguna Beach [exit 6:30 p.m.]
FRED ADJARIAN	El Toro Water District
DAN FERONS	Santa Margarita Water District

Staff Present:

BETTY BURNETT	General Manager/Secretary
PAT GIANNONE	Bowie, Arneson, Wiles & Giannone
MARY CAREY	Finance Controller
KEVIN ZABAT	Senior Accountant
TERI NOSON	Clerk of the Board
JIM BURROR	Director of Operations
AMBER BAYLOR	Director of Environmental Compliance

Also Present:

JAKE VOLLEBREGT	Moulton Niguel Water District
CHRIS NGUYEN	Orange County Auditor-Controller
JOONE LOPEZ	Moulton Niguel Water District

1. Call Meeting to Order

Chairman Ferons called the meeting to order at 3:30 p.m. and welcomed everyone present.

2. Public Comments

There were no public comments.

3. Financial Statements & Independent Auditors Report FY Ending June 30, 2016

ACTION TAKEN

Motion was made by Director Brunhart and seconded by Director Iseman to authorize staff to research and obtain a price for an evaluation study to bring to the Finance Committee for consideration the first quarter of FY '18 of the mechanical equipment within the buildings and the operating equipment outside the buildings for the plants - machinery and other structures.

Motion carried: Aye 5; Nay 1; Abstain 0; Absent 0

Director Collings	Nay
Director Brunhart	Aye
Director Miller	Aye
Director Ferons	Aye
Director Iseman	Aye
Director Adjarian	Aye

There being no objection the Chairman directed that the Agenda Item Financial Statements & Independent Auditors Report FY Ending June 30, 2016 to be added to the Agenda of the Finance Committee Meeting scheduled for Wednesday, June 14, 2017 at 12:00 p.m.

The Chairman adjourned the meeting for a five (5) minute recess at 5:25 p.m.
The meeting reconvened at 5:30 p.m.

4. FY 2017-18 SOCWA Budget

The Chairman adjourned the meeting for a two (2) minute recess at 6:35 p.m.
The meeting reconvened at 6:39 p.m.

ACTION TAKEN

Motion was made by Director Adjarian and seconded by Director Miller to recommend to the Board of Directors approval of the draft FY 2017-18 Budget with the support of 50 percent of the General Manager's salary come out of the General Fund distribution, and funding of the two (2) positions with one of those positions the Board can bring on board at the appropriate time.

Ms. Lopez noted her comments for the record, 'When we first talked about this we said the General Budget, the Admin Budget - the recreation of all these categories for this year, we had a talk about that here. We didn't really talk about how we could define them. We talked about the dollar amounts. I feel like as we listen to this discussion we are making things up as we go. In Betty's own words, a lot of things are twisted because based on practice. Yet, we continue to revert to those practices to define how we go forward. To me, that makes no sense. Because what we need to understand is how this organization is run. We can't just back into some number that might be good for some agencies and some not. We have to take an objective look at what costs are assigned where, and we have not gone through that exercise. We are just trying to throw things in there and get certain agencies to pay for it and creating new categories that are not even defined in the agreement. There are legal questions as well as financial implication. I think we really have to have an in-depth discussion. I get this fire drill every year we go through this, which is, we don't have time-we don't have time, got to meet the deadline, so we have to rush through it or we don't have a budget. We keep doing this and repeating the cycle and not really evaluating.

Just right now you heard from the General Manager that the scope of work for those two (2) positions haven't really been thought out in terms of how it translates between the general costs and per project committee. Because everything that she has described so far, has been on the general side. But, now that we have to allocate those costs, now, it is about not really knowing where that should be allocated. This contradiction and discrepancy is really difficult to process. I really feel because of all issues that we have talked about, that we can't in good conscience as this Finance Committee, take an action to recommend to the Board day after tomorrow that we should adopt a budget that we just got revisions to; that we have significant questions about the construct of the budget - we have significant questions about the Audit,

there are things that we can't reconcile. If we can't get those answers tomorrow and be satisfied, we can't just rush this, because this is how the problem continues to persist and aggravate.

At some point, we have to push a pause button and do the right thing. That's what we are asking for; is that stop rushing and trying to just sweep everything under the rug. Let us take a moment and recognize there are issues and let us talk about it intelligently, collaboratively and that way we have a clear path on what's going forward and stop repeating this cycle'.

Chairman Ferons asked if there were any other comments. None were received. Chairman Ferons called for the vote.

Motion carried: Aye 4; Nay 1; Abstain 0; Absent 1

Director Collings	Nay
Director Brunhart	Aye
Director Miller	Aye
Director Ferons	Aye
Director Iseman	Absent
Director Adjarian	Aye

5. Future Items

- Cash Reconciliation
- Policy JPA Agreement Distribution of Costs to Member Agencies

ACTION TAKEN

Information & discussion item, no action taken.

Adjournment

Chairman Ferons adjourned the Finance Committee Meeting at 7:10 p.m.

I HEREBY CERTIFY that the foregoing Minutes are a true and accurate copy of the Minutes of Special Meeting of the South Orange County Wastewater Authority Finance Committee of June 12, 2017 and approved by the Finance Committee and received and filed by the Board of Directors of the South Orange County Wastewater Authority.

Betty Burnett, General Manager/Secretary
SOUTH ORANGE COUNTY WASTEWATER AUTHORITY

Agenda Item

5

Legal Counsel Review: N/A

Meeting Date: June 27, 2018

TO: Board of Directors

FROM: Betty Burnett, General Manager

STAFF CONTACT: Mary Carey, Finance Controller

SUBJECT: Financial Matters – Month of April 2018

Summary/Discussion

The following selected financial reports are routinely provided monthly to the Board of Directors. This information is presented, including the Monthly Financial Report, to the Finance Committee and could include a request for the Board to approve recommendations of the Finance Committee. The reports included are as follows:

- a) Summary of Disbursements
 - April 2018 (Exhibit A)
- b) Schedule of Funds Available for Reinvestment (Exhibit B)
- c) Schedule of Cash and Investments (Exhibit C)
- d) Capital Schedule (Exhibit D)
 - Capital Projects – Graph (Exhibit D-1)
- e) Budget vs. Actual Expenses:
 - Operations and Environmental Summary (Exhibit E-1)
 - Residual Engineering, after transfer to Capital (Exhibit E-2)
 - Administration (Exhibit E-3)
 - Information Technology (IT) (Exhibit E-4)

Fiscal impact

During the month of April 2018, disbursements totaled \$2,714,726 and are summarized in the attached Exhibit A. The attached Exhibits B, C, D and E are informational reports only.

Recommendation

Staff recommends that the Finance Committee recommends to the Board of Directors to:

- 1) Ratify the Summary of Disbursements for the period from April 1, 2018 through April 30, 2018 (attached as Exhibit A).
- 2) Receive and file the following as information items:
 - Schedule of Funds Available for Reinvestment (Exhibit B)
 - Schedule of Cash and Investments (Exhibit C)
 - Capital Schedule (Exhibit D)
 - Capital Projects Graph (Exhibit D-1)
 - Budget vs. Actual Expenses:
 - a. Operations and Environmental Summary (Exhibit E-1)
 - b. Residual Engineering, after transfer to Capital (Exhibit E-2)
 - c. Administration (Exhibit E-3)
 - d. Information Technology (IT) (Exhibit E-4)

Exhibit A

**South Orange County Wastewater Authority
Summary of Disbursements for April 2018
Staff Recommendation of Fiscal Matters**

	Actual
General Fund	(564,567)
PC 2 - Jay B. Latham Plant	(749,775)
PC 3 - SOCWA Plant/PCA AWT	-
PC 5 - San Juan Creek Ocean Outfall	(16,296)
PC 8 - Pretreatment Program	(7,739)
PC 12 SO - Water Reclamation Permits	(4,989)
PC 15 - Coastal Treatment Plant/AWT	(433,565)
PC 17 - Joint Regional Wastewater Reclamation	(917,182)
PC 21 - Effluent Transmission Main	(6,247)
PC 24 - Aliso Creek Ocean Outfall	(14,365)
Total	<u>(\$2,714,726)</u>

**SOUTH ORANGE COUNTY WASTEWATER AUTHORITY
SCHEDULE OF FUNDS AVAILABLE FOR REINVESTMENT
as of April 30, 2018**

CASH IN BANK: (BEGINNING BAL.)	2,808,087
L.A.I.F. FUNDS: (BEGINNING BAL.)	10,755,363
DEPOSITS, TRANSFERS & ADJUSTMENTS:	1,885,616
FUND REQUIREMENTS:	
BILLS FOR CONSIDERATION	<u>(2,714,726)</u>
	<u>\$ 12,734,341</u>

In accordance with Government Code 53646(c), since all funds are placed in the State LAIF, staff has included in the Financial Packet, the most current statement from the State LAIF, in lieu of the report required by Government Code 53646(b)(1).

In accordance with requirements of the Government Code and the "SOCWA Investment Policy",
I hereby certify that:

- 1). All investment actions executed since the last report have been made in full compliance with the Investment Policy.
- 2). SOCWA does not have sufficient funds currently on hand to meet its expenditure obligations for the next six months (see note) due to the fact that SOCWA bills and receives operational funds on a quarterly basis only.

Betty Burnett
General Manager

Note: Operational funds are collected on a quarterly basis at the beginning of the quarter. Capital funds are collected on a quarterly basis in connection with projected needs. Member agencies have pledged to have funds available to meet all obligations.

Exhibit C

**South Orange County Wastewater Authority
Schedule of Cash and Investments
as of April 30, 2018**

MVA	\$ 838,962	(A)
A/P Checking	\$ 2,276,161	(B)
Payroll Checking	\$ 81,257	(C)
State LAIF	\$ 9,537,960	(D)
Total Cash in Bank	12,734,341	
Petty Cash	1,600	(E)
Total Operating Cash	12,735,941	
OPEB Trust	4,741,793	(F)
Total Cash and Investments	\$ 17,477,734	

Notes:

- (A) Interest bearing account; all cash receipts are deposited in this account.
- (B) Accounts Payable Checks are drawn against this account; money is transferred to this account from the LAIF account.
- (C) Payroll including payroll taxes and related liabilities are drawn against this account; money is transferred to this account from the LAIF account.
- (D) LAIF balance.
- (E) Cash on hand with GM's office and held by Chief Operators at each Treatment facility.
- (F) OPEB Trust Fund; these funds can only be used for Retiree Health Benefits.

**South Orange County Wastewater Authority
Capital Projects Summaries
as of April 30, 2018**

FY 2017-18 Budget vs. Actual Spending							
Description	Capital Budget	Fiscal Year Spending	(Over)/ Under Budget	% Expended	Member Agency Billed	Member Agency Collected	Past Due Amount
PC 2-JB Latham	3,743,470	993,474	2,749,996	26.5%	2,554,334	2,289,091	
PC 3A						-	
PC 5-San Juan Creek Outfall	195,510	1,440	194,070	0.7%	15,382	15,382	
PC 15-Coastal	6,637,145	1,484,466	5,152,679	22.4%	2,813,392	1,940,962	1,119,317 (1)
PC 17-Regional	3,196,068	3,121,361	74,707	97.7%	1,661,060	1,454,640	
PC 21 Effluent Transmission	236,607	4,941	231,666	2.1%	205,627	205,627	
PC 24 Aliso Creek Outfall	25,001	-	25,001	0.0%	-	-	-
Total Large Capital	14,033,801	5,605,683	8,428,118	39.9%	7,249,795	5,905,702	1,119,317
Non-Capital Engineering	158,952	388,113	(229,161)	244.2%	158,952	158,952	22,416 (1)
Small Internal Capital	1,946,997	1,114,121	832,876	57.2%	1,947,046	1,577,485	211,786 (1)
Total Capital	16,139,750	7,107,918	9,031,832	44.0%	9,355,793	7,642,139	1,353,519

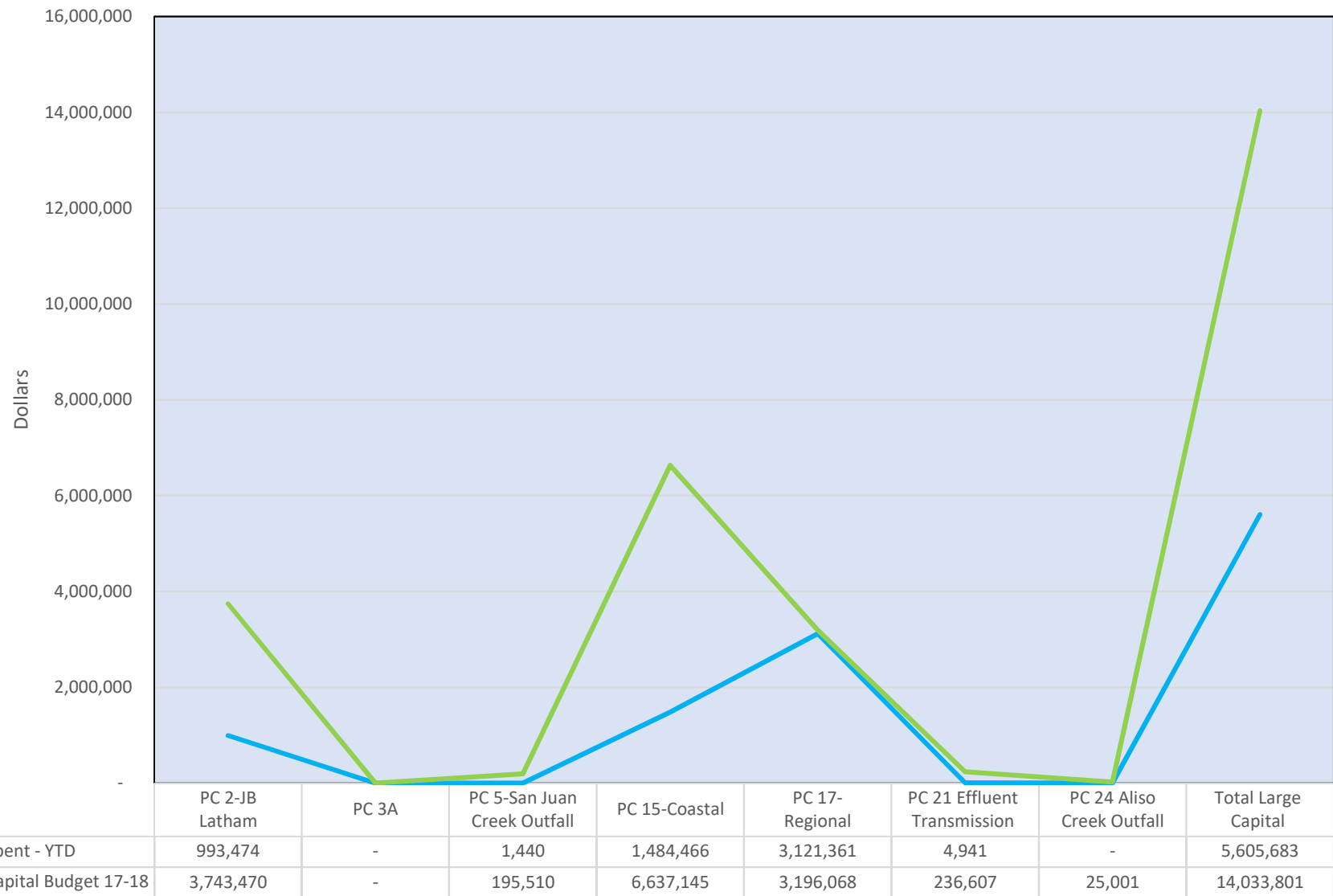
(1) **Schedule for Past Due Amounts as of April 30, 2018**

Description	Past Due Amount MNWD	Past Due Amount TOTAL	
PC 15-Coastal	1,119,317	1,119,317	(1)
Total Large Capital	1,119,317	1,119,317	
Non-Capital Engineering	22,416	22,416	(2)
Small Internal Capital	211,786	211,786	(2)
Total Capital	1,353,519	1,353,519	

(2) Balances due are for PC 15 Coastal Treatment Plant; Q4 Billings are not past due until after May 1st.

Large Capital Project Fiscal Year '17-18 Budget and Year-to-Date Spending 04/30/2018

EXHIBIT D-1



South Orange County Wastewater Authority
O & M & Environmental Safety Costs Summary
For the Period Ended April 30, 2018

Exhibit E-1

		FY 2017-18	*Budget	Adjusted	Actual	(Over)/Under	%
		Budget	Increase	Budget		Budget	Expended
Salary and Fringe							
5000--***	Regular Salaries-O&M	4,371,300		4,371,300	3,368,928	1,002,372	77.1%
5001--***	Overtime Salaries-O&M	74,992	60,000	134,992	127,255	7,737	94.3% (1)
5306--***	Scheduled Holiday Work	39,904		39,904	40,653	(749)	101.9% (2)
5315--***	Comp Time - O&M	-		-	7,753	(7,753)	0.0%
5401--***	Fringe Benefits IN to PC's & Depts.	3,243,512		3,243,512	2,499,745	743,767	77.1%
5700--***	Standby Pay	69,996		69,996	57,785	12,211	82.6%
	Total Payroll Costs	7,799,704	60,000	7,859,704	6,102,120	1,757,584	77.6%
Other Expenses							
5002--***	Electricity	1,484,000	130,000	1,614,000	1,539,518	74,482	95.4% (3)
5003--***	Natural Gas	209,512		209,512	92,126	117,386	44.0% (3)
5004--***	Potable & Reclaimed Water	62,008		62,008	62,380	(372)	100.6% (4)
5005--***	Co-generation Power Credit	(250,000)		(250,000)	-	(250,000)	0.0%
5006--***	Chlorine/Sodium Hypochlorite	478,000		478,000	427,923	50,077	89.5%
5007--***	Polymer Products	709,016		709,016	486,496	222,520	68.6%
5008--***	Ferric Chloride	255,012	25,000	280,012	270,820	9,192	96.7% (5)
5009--***	Odor Control Chemicals	160,000		160,000	99,719	60,281	62.3%
5010--***	Other Chemicals - Misc.	5,000		5,000	754	4,246	15.1%
5011--***	Laboratory Services	36,500		36,500	23,629	12,871	64.7%
5012--***	Grit Hauling	122,008		122,008	100,066	21,942	82.0%
5013--***	Landscaping	183,004		183,004	107,049	75,955	58.5%
5014--***	Engineering - Misc.	392,508		392,508	25,415	367,093	6.5%
5015--***	Management Support Services	128,008		128,008	63,166	64,842	49.3%
5016--***	Audit - Environmental	500		500	-	500	0.0%
5017--***	Legal Fees	12,216		12,216	12,280	(64)	100.5%
5018--***	Public Notices/ Public Relations	500		500	320	180	64.0%
5019--***	Contract Services Misc.	287,000		287,000	236,342	50,658	82.3%
5020--***	Postage Expense	-		-	174	(174)	0.0%
5021--***	Small Vehicle Expense	20,900		20,900	18,086	2,814	86.5%
5022--***	Miscellaneous Expense	18,492		18,492	12,392	6,100	67.0%
5023--***	Office Supplies - All	42,000		42,000	31,608	10,392	75.3%
5024--***	Petroleum Products	60,000		60,000	7,665	52,335	12.8%
5025--***	Uniforms	36,000		36,000	27,938	8,062	77.6%
5026--***	Small Vehicle Fuel	37,688		37,688	14,214	23,474	0.0%
5027--***	Insurance - Property/Liability	211,740		211,740	173,238	38,502	81.8%
5028--***	Small Tools & Supplies	77,476		77,476	57,781	19,695	74.6%
5030--***	Trash Disposal	5,000		5,000	5,235	(235)	104.7%
5031--***	Safety Program & Supplies	86,872		86,872	84,016	2,856	96.7% (6)
5032--***	Equipment Rental	7,004		7,004	2,024	4,980	28.9%
5033--***	Recruitment	1,000		1,000	3,737	(2,737)	373.7% (7)
5034--***	Travel Expense/Tech. Conferences	61,012		61,012	47,237	13,775	77.4%
5035--***	Training Expense	52,564		52,564	80,508	(27,944)	153.2% (8)
5036--***	Laboratory Supplies	75,024		75,024	69,589	5,435	92.8%
5037--***	Office Equipment	22,496		22,496	36,565	(14,069)	162.5% (9)
5038--***	Permits	475,500		475,500	359,670	115,830	75.6%
5039--***	Membership Dues/Fees	12,244		12,244	10,493	1,751	85.7%
5044--***	Offshore Monitoring	42,008		42,008	28,333	13,675	67.4%
5046--***	Effluent Chemistry	45,996		45,996	26,982	19,014	58.7%
5047--***	Access Road Expenses	46,996		46,996	25,648	21,348	54.6%
5048--***	Storm Damage	19,000		19,000	-	19,000	0.0%
5049--***	Biosolids Disposal	1,541,004		1,541,004	1,096,620	444,384	71.2%
5050--***	Contract Services Generators	21,008		21,008	21,115	(107)	100.5% (10)
5052--***	Janitorial Services	100,016		100,016	41,026	58,990	41.0%
5053--***	Contract Serv - Digester Cleaning - 29E	60,004		60,004	45,235	14,769	75.4%
5054--***	Diesel Truck Maint	40,000		40,000	12,661	27,339	31.7%
5055--***	Diesel Truck Fuel	13,996		13,996	4,249	9,747	30.4%
5056--***	Maintenance Equip. & Facilities (Solids)	328,004		328,004	258,297	69,707	78.7%
5057--***	Maintenance Equip. & Facilities (Liquids)	575,000		575,000	453,000	122,000	78.8%
5058--***	Maintenance Equip. & Facilities (Common)	73,008		73,008	33,947	39,061	46.5%
5059--***	Maintenance Equip. & Facilities (Co-Gen)	500,000	40,000	540,000	238,438	301,562	44.2%
5060--***	Maintenance Equip. & Facilities (AWT)	70,000		70,000	52,441	17,559	74.9%
5061--***	Mileage	5,688		5,688	1,548	4,140	27.2%
5067--***	Port Cleaning	35,000		35,000	-	35,000	0.0%
5068--***	MNWD Potable Water Supplies & Svcs.	23,996		23,996	20,044	3,952	83.5%
5069--***	Misc-Capital-Dilution & Metering Study	15,004		15,004	17,670	(2,666)	117.8%
5077--***	IT Direct	-		-	500	(500)	0.0%
17-5101-01-00-00	Employee Recognition	-		-	274	(274)	0.0%
5105--***	Co-Generation Power Credit - Offset	250,000		250,000	-	250,000	0.0%
5303--***	Group Insurance Waiver	10,796		10,796	8,772	2,024	81.3%
5305--***	Medicare Tax Payments for Employees	11,044		11,044	7,152	3,892	64.8%
5309--***	Operating Leases	12,000		12,000	38,308	(26,308)	319.2% (11)
5705--***	Monthly Car Allowance	28,196		28,196	25,120	3,076	89.1%
5706--***	Effluent Pond Cleaning	90,004		90,004	-	90,004	0.0%
5802--***	Shipping/Freight	-		-	451	(451)	0.0%
6500--***	IT Allocations in to PC's & Depts.	654,684		654,684	461,977	192,707	70.6%
	Total Other Expenses	10,190,256	195,000	10,385,256	7,509,978	2,875,278	72.3%
Total Expenses		17,989,960	255,000	18,244,960	13,612,097	4,632,863	74.6%

*Budget increase approved at Board Meeting.

- (1) Overtime costs required due to nighttime and bypass construction activities for capital projects.
(2) Staffing required for elevated holiday flows and loads. Also, only 1 Holiday remains for the Fiscal Year.
(3) Engine projects timeframe affecting the electricity and gas budget line items.
(4) Recycled water purchases were required during a construction project to replace the process water controls system at CTP.
(5) Ferric chloride use has increased more than expected to comply with both new engine gas cleaning system requirements.
(6) Safety work and training nearly complete for the Fiscal Year.
(7) Recruitment costs related to a higher number of retirements than planned.
(8) Training expenses due to new hire costs related to retirements.
(9) & (11) Costs were incurred to replace the engineering trailer and modify the RTP lab staff work space. No additional costs expected.
(10) Generator maintenance is completed for the FY. Costs typically range from \$5,000 to \$15,000 per plant depending on services needed.

South Orange County Wastewater Authority
O&M Budget vs. Actual Comparison by PC
For the Period Ended April 30, 2018

Exhibit E-1

		Budget	*Budget Increase	Adjusted Budget	Actual	(Over)/Under Budget	% Expended	
02 - Jay B. Latham Plant								
Salary and Fringe								
02-5000-01-**-**	Regular Salaries-O&M	1,228,504		1,228,504	1,040,996	187,508	84.7%	
02-5000-02-**-**	Regular Salaries-O&M	163,196		163,196	121,631	41,565	74.5%	
02-5001-01-**-**	Overtime Salaries-O&M	21,908	60,000	81,908	41,431	40,477	50.6%	(1)
02-5001-02-**-**	Overtime Salaries-O&M	204		204	838	(634)	410.7%	
02-5306-01-**-**	Scheduled Holiday Work	11,992		11,992	13,534	(1,542)	112.9%	(2)
02-5306-02-**-**	Scheduled Holiday Work	1,804		1,804	1,764	40	97.8%	(2)
02-5315-01-00-00	Comp Time - O&M	-		-	4,460	(4,460)	0.0%	
02-5315-02-00-00	Comp Time - O&M	-		-	618	(618)	0.0%	
02-5401-01-**-**	Fringe Benefits IN to PC's & Depts.	911,556		911,556	772,419	139,137	84.7%	
02-5401-02-**-**	Fringe Benefits IN to PC's & Depts.	121,096		121,096	90,251	30,846	74.5%	
02-5700-01-**-**	Standby Pay	23,328		23,328	21,548	1,781	92.4%	
Total Payroll Costs		2,483,588	60,000	2,543,588	2,109,489	434,099	82.9%	
Other Expenses								
02-5002-01-**-**	Electricity	524,000	130,000	654,000	674,507	(20,507)	103.1%	(3)
02-5003-01-**-**	Natural Gas	65,012		65,012	49,077	15,935	75.5%	(3)
02-5004-01-**-**	Potable & Reclaimed Water	15,004		15,004	14,726	278	98.1%	
02-5006-01-**-**	Chlorine/Sodium Hypochlorite	28,000		28,000	15,128	12,872	54.0%	
02-5007-01-**-**	Polymer Products	301,004		301,004	185,598	115,406	61.7%	
02-5008-01-**-**	Ferric Chloride	100,004	25,000	125,004	115,201	9,803	92.2%	(4)
02-5009-01-**-**	Odor Control Chemicals	25,000		25,000	18,389	6,611	73.6%	
02-5010-01-**-**	Other Chemicals - Misc.	1,000		1,000	8	992	0.8%	
02-5011-02-**-**	Laboratory Services	10,500		10,500	5,776	4,724	55.0%	
02-5012-01-**-**	Grit Hauling	40,000		40,000	39,633	367	99.1%	
02-5013-01-**-**	Landscaping	48,000		48,000	27,570	20,430	57.4%	
02-5014-01-**-**	Engineering - Misc.	4,996		4,996	12,725	(7,729)	254.7%	(5)
02-5014-02-**-**	Engineering - Misc.	100,004		100,004	4,760	95,244	4.8%	
02-5015-01-**-**	Management Support Services	4,996		4,996	8,640	(3,644)	172.9%	(5)
02-5015-02-**-**	Management Support Services	13,000		13,000	28,501	(15,501)	219.2%	(6)
02-5017-01-**-**	Legal Fees	1,200		1,200	7,395	(6,195)	616.3%	(7)
02-5019-01-**-**	Contract Services Misc.	95,000		95,000	89,912	5,088	94.6%	
02-5020-01-00-00	Postage Expense	-		-	167	(167)	0.0%	
02-5021-01-**-**	Small Vehicle Expense	8,004		8,004	8,525	(521)	106.5%	(8)
02-5022-01-**-**	Miscellaneous Expense	8,004		8,004	6,175	1,829	77.2%	
02-5023-01-**-**	Office Supplies - All	25,008		25,008	15,790	9,218	63.1%	
02-5024-01-**-**	Petroleum Products	16,004		16,004	-	16,004	0.0%	
02-5025-01-**-**	Uniforms	12,996		12,996	12,608	388	97.0%	
02-5026-01-**-**	Small Vehicle Fuel	15,000		15,000	7,618	7,382	50.8%	
02-5027-01-**-**	Insurance - Property/Liability	70,448		70,448	56,677	13,771	80.5%	
02-5028-01-**-**	Small Tools & Supplies	40,004		40,004	27,955	12,049	69.9%	
02-5030-01-**-**	Trash Disposal	1,000		1,000	1,758	(758)	175.8%	(9)
02-5031-02-**-**	Safety Program & Supplies	30,396		30,396	26,560	3,836	87.4%	(10)
02-5032-01-**-**	Equipment Rental	3,000		3,000	2	2,998	0.1%	
02-5033-01-**-**	Recruitment	1,000		1,000	915	86	91.5%	
02-5034-01-**-**	Travel Expense/Tech. Conferences	13,836		13,836	9,483	4,353	68.5%	
02-5034-02-**-**	Travel Expense/Tech. Conferences	3,140		3,140	1,829	1,311	58.3%	
02-5035-01-**-**	Training Expense	15,904		15,904	30,392	(14,488)	191.1%	(11)
02-5035-02-**-**	Training Expense	1,116		1,116	3,799	(2,683)	340.4%	(11)
02-5036-02-**-**	Laboratory Supplies	13,004		13,004	11,517	1,487	88.6%	(12)
02-5037-01-**-**	Office Equipment	15,500		15,500	17,424	(1,924)	112.4%	(13)
02-5038-02-**-**	Permits	22,000		22,000	18,058	3,942	82.1%	(14)
02-5039-01-**-**	Membership Dues/Fees	3,044		3,044	2,549	495	83.7%	(15)
02-5039-02-**-**	Membership Dues/Fees	800		800	960	(160)	120.1%	(15)
02-5049-01-**-**	Biosolids Disposal	550,004		550,004	349,174	200,830	63.5%	
02-5050-01-**-**	Contract Services Generators	9,004		9,004	11,666	(2,662)	129.6%	(16)
02-5052-01-**-**	Janitorial Services	40,004		40,004	17,780	22,224	44.4%	(17)
02-5054-01-**-**	Diesel Truck Maint	20,004		20,004	4,611	15,393	23.1%	
02-5055-01-**-**	Diesel Truck Fuel	6,000		6,000	1,460	4,540	24.3%	
02-5056-01-**-**	Maintenance Equip. & Facilities (Solid	138,000		138,000	112,576	25,424	81.6%	
02-5057-01-**-**	Maintenance Equip. & Facilities (Liquid	240,000		240,000	197,486	42,514	82.3%	
02-5058-01-**-**	Maintenance Equip. & Facilities (Commercial	26,000		26,000	13,503	12,497	51.9%	
02-5059-01-**-**	Maintenance Equip. & Facilities (Co-G	250,000	40,000	290,000	209,961	80,039	72.4%	
02-5061-01-**-**	Mileage	1,000		1,000	120	880	12.0%	
02-5061-02-**-**	Mileage	492		492	203	289	41.2%	
02-5301-01-00-00	Vehicle Pay	-		-	(0)	0	0.0%	
02-5303-01-**-**	Group Insurance Waiver	3,604		3,604	2,804	800	77.8%	
02-5303-02-00-00	Group Insurance Waiver	-		-	983	(983)	0.0%	
02-5305-01-**-**	Medicare Tax Payments for Employee	3,812		3,812	3,362	450	88.2%	
02-5309-01-**-**	Operating Leases	6,000		6,000	38,308	(32,308)	638.5%	(18)
02-5705-01-**-**	Monthly Car Allowance	7,196		7,196	8,610	(1,414)	119.7%	
02-5705-02-00-00	Monthly Car Allowance	-		-	1,147	(1,147)	0.0%	
02-5802-01-00-00	Shipping/Freight	-		-	357	(357)	0.0%	
02-6500-01-**-**	IT Allocations in to PC's & Depts.	184,880		184,880	130,460	54,420	70.6%	
02-6500-02-**-**	IT Allocations in to PC's & Depts.	24,040		24,040	16,962	7,078	70.6%	
Total Other Expenses		3,205,968	195,000	3,400,968	2,679,839	721,129	78.8%	
Total Expenses		5,689,556	255,000	5,944,556	4,789,327	1,155,229	80.6%	

South Orange County Wastewater Authority
O&M Budget vs. Actual Comparison by PC
For the Period Ended April 30, 2018

Exhibit E-1

		Budget	*Budget Increase	Adjusted Budget	Actual	(Over)/Under Budget	% Expended
05 - San Juan Creek Ocean Outfall							
Salary and Fringe							
05-5000-01-**-**	Regular Salaries-O&M	11,252		11,252	600	10,652	5.3%
05-5000-02-**-**	Regular Salaries-O&M	90,480		90,480	76,003	14,477	84.0%
05-5001-01-**-**	Overtime Salaries-O&M	376		376	-	376	0.0%
05-5001-02-**-**	Overtime Salaries-O&M	96		96	210	(114)	219.2%
05-5306-01-**-**	Scheduled Holiday Work	96		96	-	96	0.0%
05-5306-02-**-**	Scheduled Holiday Work	2,404		2,404	411	1,993	17.1%
05-5401-01-**-**	Fringe Benefits IN to PC's & Depts.	8,348		8,348	445	7,903	5.3%
05-5401-02-**-**	Fringe Benefits IN to PC's & Depts.	67,136		67,136	56,394	10,742	84.0%
	Total Payroll Costs	180,188	-	180,188	134,063	46,125	74.4%
Other Expenses							
05-5002-01-**-**	Electricity	1,000		1,000	58	942	5.8%
05-5003-01-**-**	Natural Gas	500		500	-	500	0.0%
05-5014-02-**-**	Engineering - Misc.	20,004		20,004	-	20,004	0.0%
05-5015-02-**-**	Management Support Services	27,500		27,500	5,908	21,592	21.5%
05-5017-02-**-**	Legal Fees	2,004		2,004	-	2,004	0.0%
05-5026-01-**-**	Small Vehicle Fuel - 37A	2,496		2,496	-	2,496	0.0%
05-5027-01-**-**	Insurance - Property/Liability	5,372		5,372	4,431	941	82.5%
05-5031-02-**-**	Safety Supplies	128		128	-	128	0.0%
05-5034-02-**-**	Travel Expense/Tech. Conferences	2,484		2,484	2,426	58	97.6%
05-5036-02-**-**	Laboratory Supplies	16,000		16,000	18,359	(2,359)	114.7% (19)
05-5038-02-**-**	Permits	145,000		145,000	156,478	(11,478)	107.9% (14)
05-5044-02-**-**	Offshore Monitoring	20,004		20,004	14,166	5,838	70.8%
05-5046-02-**-**	Effluent Chemistry	16,000		16,000	10,814	5,187	67.6%
05-5058-01-**-**	Maintenance Equip. & Facilities (Com	1,004		1,004	38	967	3.7%
05-5069-02-**-**	Misc-Capital-Dilution & Metering Study	15,004		15,004	17,670	(2,666)	117.8%
05-5305-02-**-**	Medicare Tax Payments for Employee	2,352		2,352	-	2,352	0.0%
05-5705-02-**-**	Monthly Car Allowance	4,200		4,200	646	3,554	15.4%
05-6500-01-**-**	IT Allocations in to PC's & Depts.	1,692		1,692	1,194	498	70.6%
05-6500-02-**-**	IT Allocations in to PC's & Depts.	12,952		12,952	9,141	3,811	70.6%
	Total Other Expenses	295,696	-	295,696	241,329	54,367	81.6%
	Total Expenses	475,884	-	475,884	375,393	100,491	78.9%
08 - Pre Treatment							
Salary and Fringe							
08-5000-02-**-**	Regular Salaries-O&M	83,504		83,504	60,466	23,038	72.4%
08-5001-02-**-**	Overtime Salaries-O&M	1,412		1,412	-	1,412	0.0%
08-5306-02-**-**	Scheduled Holiday Work	200		200	-	200	0.0%
08-5315-02-00-00	Comp Time - O&M	-		-	76	(76)	0.0%
08-5401-02-**-**	Fringe Benefits IN to PC's & Depts.	61,956		61,956	44,866	17,090	72.4%
	Total Payroll Costs	147,072	-	147,072	105,407	41,665	71.7%
Other Expenses							
08-5011-02-**-**	Laboratory Services	2,500		2,500	210	2,290	8.4%
08-5015-02-**-**	Management Support Services	2,008		2,008	-	2,008	0.0%
08-5016-02-**-**	Audit - Environmental	500		500	-	500	0.0%
08-5017-02-**-**	Legal Fees	2,008		2,008	921	1,087	45.9%
08-5018-02-**-**	Public Notices/ Public Relations	500		500	320	180	64.0%
08-5021-02-**-**	Small Vehicle Expense	900		900	18	882	2.0%
08-5022-02-**-**	Miscellaneous Expense	1,496		1,496	-	1,496	0.0%
08-5026-02-**-**	Small Vehicle Fuel - 37A	1,200		1,200	-	1,200	0.0%
08-5027-02-**-**	Insurance - Property/Liability	2,196		2,196	1,875	321	85.4%
08-5028-02-**-**	Small Tools & Supplies	3,472		3,472	1,721	1,751	49.6%
08-5034-02-**-**	Travel Expense/Tech. Conferences	3,504		3,504	1,079	2,425	30.8%
08-5035-02-**-**	Training Expense	1,496		1,496	1,500	(4)	100.3%
08-5038-02-**-**	Permits and Fines	10,008		10,008	-	10,008	0.0%
08-5039-02-**-**	Membership Dues/Fees	796		796	534	262	67.1%
08-6500-02-**-**	IT Allocations in to PC's & Depts.	12,568		12,568	8,868	3,700	70.6%
	Total Other Expenses	45,152	-	45,152	17,046	28,106	37.8%
	Total Expenses	192,224	-	192,224	122,453	69,771	63.7%
12 - Water Reclamation Permits							
Salary and Fringe							
12-5000-02-**-**	Regular Salaries-O&M	50,192		50,192	24,077	26,115	48.0%
12-5306-02-**-**	Scheduled Holiday Work	392		392	-	392	0.0%
12-5401-02-**-**	Fringe Benefits IN to PC's & Depts.	37,240		37,240	17,865	19,375	48.0%
	Total Payroll Costs	87,824	-	87,824	41,942	45,882	47.8%
Other Expenses							
12-5015-02-**-**	Management Support Services	15,992		15,992	179	15,813	1.1%
12-5017-02-**-**	Legal Fees	5,000		5,000	-	5,000	0.0%
12-5027-02-**-**	Insurance - Property/Liability	2,740		2,740	2,386	354	87.1%
12-5034-02-**-**	Travel Expense/Tech. Conferences	1,256		1,256	1,149	107	91.5%
12-5038-02-**-**	Permits	124,996		124,996	15,953	109,043	12.8%
12-6500-02-**-**	IT Allocations in to PC's & Depts.	7,064		7,064	4,989	2,075	70.6%
	Total Other Expenses	157,048	-	157,048	24,656	132,392	15.7%
	Total Expenses	244,872	-	244,872	66,598	178,274	27.2%

South Orange County Wastewater Authority
O&M Budget vs. Actual Comparison by PC
For the Period Ended April 30, 2018

Exhibit E-1

		Budget	*Budget Increase	Adjusted Budget	Actual	(Over)/Under Budget	% Expended		
15 - Coastal Treatment Plant									
Salary and Fringe									
15-5000-01-**-**	Regular Salaries-O&M	697,360		697,360	535,267	162,093	76.8%		
15-5000-02-**-**	Regular Salaries-O&M	149,952		149,952	95,002	54,950	63.4%		
15-5001-01-**-**	Overtime Salaries-O&M	10,920		10,920	20,512	(9,592)	187.8%	(1)	
15-5001-02-**-**	Overtime Salaries-O&M	188		188	941	(753)	500.7%	(1)	
15-5306-01-**-**	Scheduled Holiday Work	3,004		3,004	5,407	(2,403)	180.0%	(2)	
15-5306-02-**-**	Scheduled Holiday Work	1,800		1,800	1,851	(51)	102.9%	(2)	
15-5315-01-00-00	Comp Time - O&M	-		-	130	(130)	0.0%		
15-5401-01-**-**	Fringe Benefits IN to PC's & Depts.	517,440		517,440	397,168	120,272	76.8%		
15-5401-02-**-**	Fringe Benefits IN to PC's & Depts.	111,268		111,268	70,492	40,776	63.4%		
15-5700-01-**-**	Standby Pay	23,336		23,336	14,365	8,971	61.6%		
	Total Payroll Costs	1,515,268	-	1,515,268	1,141,136	374,132	75.3%		
Other Expenses									
15-5002-01-**-**	Electricity	283,004		283,004	187,431	95,573	66.2%		
15-5003-01-**-**	Natural Gas	3,000		3,000	1,538	1,462	51.3%		
15-5004-01-**-**	Potable & Reclaimed Water	13,000		13,000	18,843	(5,843)	144.9%	(20)	
15-5006-01-**-**	Chlorine/Sodium Hypochlorite	99,996		99,996	41,169	58,827	41.2%		
15-5007-01-**-**	Polymer Products	2,004		2,004	347	1,657	17.3%		
15-5008-01-**-**	Ferric Chloride	30,004		30,004	28,459	1,545	94.9%		
15-5009-01-**-**	Odor Control Chemicals	85,000		85,000	46,327	38,673	54.5%		
15-5011-02-**-**	Laboratory Services	9,500		9,500	8,016	1,484	84.4%		
15-5012-01-**-**	Grit Hauling	30,004		30,004	18,596	11,408	62.0%		
15-5013-01-**-**	Landscaping	60,008		60,008	23,930	36,078	39.9%		
15-5014-01-**-**	Engineering - Misc.	5,000		5,000	2,398	2,602	48.0%		
15-5014-02-**-**	Engineering - Misc.	50,000		50,000	-	50,000	0.0%		
15-5015-01-**-**	Management Support Services	5,000		5,000	306	4,694	6.1%		
15-5015-02-**-**	Management Support Services	4,500		4,500	2,467	2,033	54.8%		
15-5017-01-**-**	Legal Fees	-		-	1,071	(1,071)	0.0%		
15-5019-01-**-**	Contract Services Misc.	67,000		67,000	64,643	2,357	96.5%		
15-5021-01-**-**	Small Vehicle Expense	5,996		5,996	3,453	2,543	57.6%		
15-5022-01-**-**	Miscellaneous Expense	2,996		2,996	1,341	1,655	44.8%		
15-5023-01-**-**	Office Supplies - All	6,996		6,996	4,097	2,899	58.6%		
15-5024-01-**-**	Petroleum Products	2,000		2,000	767	1,233	38.3%		
15-5025-01-**-**	Uniforms	5,996		5,996	3,863	2,133	64.4%		
15-5026-01-**-**	Small Vehicle Fuel	5,996		5,996	1,018	4,978	17.0%		
15-5027-01-**-**	Insurance - Property/Liability	34,640		34,640	28,459	6,181	82.2%		
15-5028-01-**-**	Small Tools & Supplies	9,000		9,000	6,537	2,463	72.6%		
15-5030-01-**-**	Trash Disposal	2,996		2,996	2,303	693	76.9%	(10)	
15-5031-02-**-**	Safety Program & Supplies	24,000		24,000	24,112	(112)	100.5%		
15-5032-01-**-**	Equipment Rental	1,000		1,000	744	256	74.4%		
15-5033-01-00-00	Recruitment	-		-	500	(500)	0.0%		
15-5034-01-**-**	Travel Expense/Tech. Conferences	13,832		13,832	8,864	4,968	64.1%		
15-5034-02-**-**	Travel Expense/Tech. Conferences	3,324		3,324	1,241	2,083	37.3%		
15-5035-01-**-**	Training Expense	15,904		15,904	11,014	4,890	69.3%		
15-5035-02-**-**	Training Expense	1,116		1,116	484	632	43.4%		
15-5036-02-**-**	Laboratory Supplies	10,004		10,004	9,998	6	99.9%		
15-5037-01-**-**	Office Equipment	1,000		1,000	1,333	(333)	133.3%		
15-5038-02-**-**	Permits	6,504		6,504	7,741	(1,237)	119.0%		
15-5039-01-**-**	Membership Dues/Fees	2,996		2,996	1,446	1,550	48.3%		
15-5039-02-**-**	Membership Dues/Fees	804		804	323	481	40.2%		
15-5047-01-**-**	Access Road Expenses	46,996		46,996	25,648	21,348	54.6%		
15-5048-01-**-**	Storm Damage	19,000		19,000	-	19,000	0.0%		
15-5049-01-**-**	Biosolids Disposal - 21B	125,000		125,000	-	125,000	0.0%		
15-5050-01-**-**	Contract Services Generators	4,004		4,004	4,512	(508)	112.7%	(16)	
15-5052-01-**-**	Janitorial Services	20,008		20,008	8,816	11,192	44.1%		
15-5054-01-**-**	Diesel Truck Maint	996		996	332	664	33.4%	(17)	
15-5055-01-**-**	Diesel Truck Fuel - 37B	996		996	-	996	0.0%		
15-5057-01-**-**	Maintenance Equip. & Facilities (Liquid)	170,004		170,004	61,989	108,015	36.5%		
15-5058-01-**-**	Maintenance Equip. & Facilities (Com)	20,008		20,008	1,171	18,837	5.9%		
15-5060-01-**-**	Maintenance Equip. & Facilities (AWT)	35,000		35,000	16,072	18,928	45.9%		
15-5061-01-**-**	Mileage	1,196		1,196	80	1,116	6.7%		
15-5303-01-**-**	Group Insurance Waiver	3,596		3,596	2,838	758	78.9%		
15-5305-01-**-**	Medicare Tax Payments for Employee	2,964		2,964	2,803	161	94.6%		
15-5705-01-**-**	Monthly Car Allowance	4,200		4,200	4,216	(16)	100.4%		
15-5802-01-00-00	Shipping/Freight	-		-	49	(49)	0.0%		
15-6500-01-**-**	IT Allocations in to PC's & Depts.	104,820		104,820	73,965	30,855	70.6%		
15-6500-02-**-**	IT Allocations in to PC's & Depts.	22,212		22,212	15,676	6,536	70.6%		
	Total Other Expenses	1,485,120	-	1,485,120	783,347	701,773	52.7%		
	Total Expenses	3,000,388	-	3,000,388	1,924,484	1,075,904	64.1%		

Exhibit E-1

21

South Orange County Wastewater Authority
O&M Budget vs. Actual Comparison by PC
For the Period Ended April 30, 2018

Exhibit E-1

		Budget	*Budget Increase	Adjusted Budget	Actual	(Over)/Under Budget	% Expended
21 - Effluent Transmission Main							
Salary and Fringe							
21-5000-01-14-00	Regular Salaries-O&M	-		-	160	(160)	0.0%
21-5401-01-00-00	Fringe Benefits IN to PC's & Depts.	-		-	119	(119)	0.0%
	Total Payroll Costs	-	-	-	279	(279)	0.0%
Other Expenses							
21-5014-02-**-**	Engineering - Misc.	62,496		62,496	-	62,496	0.0%
21-5019-02-00-00	Contract Services Misc. - 29	-		-	545	(545)	0.0%
21-5027-02-**-**	Insurance - Property/Liability	728		728	682	46	93.6%
	Total Other Expenses	63,224	-	63,224	1,227	61,997	1.9%
	Total Expenses	63,224	-	63,224	1,506	61,718	2.4%
23 - North Coast Interceptor							
Other Expenses							
23-5017-01-00-00	Legal Fees	-		-	286	(286)	0.0%
	Total Other Expenses	-		-	286	(286)	0.0%
	Total Expenses	-		-	286	(286)	0.0%
24 - Aliso Creek Ocean Outfall							
Salary and Fringe							
24-5000-01-**-**	Regular Salaries-O&M	6,696		6,696	600	6,096	9.0%
24-5000-02-**-**	Regular Salaries-O&M	85,624		85,624	74,109	11,515	86.6%
24-5001-01-**-**	Overtime Salaries-O&M	348		348	369	(21)	105.9% (26)
24-5001-02-**-**	Overtime Salaries-O&M	196		196	123	73	63.0%
24-5306-01-**-**	Scheduled Holiday Work	104		104	-	104	0.0%
24-5306-02-**-**	Scheduled Holiday Work	3,112		3,112	133	2,979	4.3%
24-5401-01-**-**	Fringe Benefits IN to PC's & Depts.	4,960		4,960	445	4,515	9.0%
24-5401-02-**-**	Fringe Benefits IN to PC's & Depts.	63,528		63,528	54,989	8,539	86.6%
	Total Payroll Costs	164,568	-	164,568	130,769	33,799	79.5%
Other Expenses							
24-5002-01-**-**	Electricity	996		996	-	996	0.0%
24-5014-02-**-**	Engineering - Misc.	20,004		20,004	-	20,004	0.0%
24-5015-02-**-**	Management Support Services	27,504		27,504	5,748	21,756	20.9%
24-5017-02-**-**	Legal Fees	2,004		2,004	-	2,004	0.0%
24-5027-01-00-00	Insurance - Property/Liability	-		-	436	(436)	0.0%
24-5027-02-**-**	Insurance - Property/Liability	5,364		5,364	3,995	1,369	74.5%
24-5031-02-**-**	Safety Supplies	996		996	-	996	0.0%
24-5034-02-**-**	Travel Expense/Tech. Conferences	2,480		2,480	562	1,919	22.6%
24-5036-02-**-**	Laboratory Supplies	16,996		16,996	17,202	(206)	101.2%
24-5038-02-**-**	Permits	131,992		131,992	138,399	(6,407)	104.9% (14)
24-5044-02-**-**	Offshore Monitoring	22,004		22,004	14,166	7,838	64.4%
24-5046-02-**-**	Effluent Chemistry	29,996		29,996	16,169	13,828	53.9%
24-5058-01-**-**	Maintenance Equip. & Facilities (Com	996		996	600	396	60.2%
24-5067-02-**-**	Port Cleaning	35,000		35,000	-	35,000	0.0%
24-6500-01-**-**	IT Allocations in to PC's & Depts.	1,008		1,008	711	297	70.5%
24-6500-02-**-**	IT Allocations in to PC's & Depts.	12,288		12,288	8,672	3,616	70.6%
	Total Other Expenses	309,628	-	309,628	206,659	102,969	66.7%
	Total Expenses	474,196	-	474,196	337,428	136,768	71.2%
SOCWA TOTAL		17,989,960	255,000	18,244,960	13,612,097	4,632,863	74.6%

*Budget increase approved at Board Meeting.

- (1) Overtime costs required due to nighttime and bypass construction activities for capital projects.
- (2) Staffing has been required for elevated holiday flows and loads.
- (3) Engine project timeframe affecting the electricity and gas budget line items.
- (4) Ferric chloride use has increased more than expected to comply with the new engine gas cleaning system requirements.
- (5) No additional efforts are expected this FY.
- (6) Contract work on PC2 trunkline to clean sewers so that the ADS monitors would work properly.
- (7) Legal review of O&M contracts.
- (8) Older vehicles required repairs. No additional costs expected.
- (9) Additional trash was removed following the completion of several construction projects.
- (10) Safety work and training nearly complete for the Fiscal Year.
- (11) Training expenses due to hiring to replace retirements.
- (12) Planned purchases of samplers occurred at the beginning of the FY. Expenses are expected to level out for the FY.
- (13) Costs for engineering trailer replacement.
- (14) Permit costs are primarily incurred in July of each year. Expenses are expected to level out for the FY.
- (15) Membership costs are primarily incurred in July and December of each year. Expenses are expected to level out for the FY.
- (16) Generator maintenance is completed for the FY. Costs typically range from \$5,000 to \$15,000 per plant depending on services needed.
- (17) Janitorial expenses are lower than projected due to late start of new contractor with a higher rate.
- (18) Costs for engineering trailer replacement.
- (19) Elevated costs to due the unexpected need to replace a sampler.
- (20) Recycled water purchase required during a construction project to replace the process water controls system.
- (21) The RTP engine project impacting electricity and gas usage.
- (22) Elevated bleach usage has occurred in the AWT due to debris in the clearwell. Staff has been working with MNWD to find a period that the AWT can be shutdown and cleaned. The current plan is to clean the basin in mid-march 2018.
- (23) Ferric chloride use has increased to comply with the new engine gas cleaning system requirements.
- (24) Plant work station and conference room improvements.
- (25) Liquids system O&M oppertunities during construction project shutdowns.
- (26) Staff investigated a potential leak of the outfall after hours. A reoccurring underground spring was determined to be the source of the water found.

South Orange County Wastewater Authority **Budget vs. Actual Comparison - Engineering**

For the Period Ended April 30, 2018

Exhibit E-2

		FY 2017-18 Budget	Actual	(Over)/Under Budget	% Expended
Salary and Fringe					
** -5000-**-**-00	Regular Salaries-O&M	155,460	163,656	(8,196)	105.3%
01-5001-03-00-00	Overtime Salaries-O&M	-	202	(202)	0.0%
02-5306-03-01-00	Scheduled Holiday Work	-	32	(32)	0.0%
01-5401-03-00-00	Fringe Benefits IN to PC's & Depts.	115,356	121,433	(6,077)	105.3%
	Total Payroll Costs	270,816	285,323	(14,507)	105.4%
Other Expenses					
01-5015-03-00-00	Management Support Services	996	-	996	0.0%
01-5022-03-00-00	Miscellaneous Expense	3,000	1,586	1,414	52.9%
01-5023-03-00-00	Office Supplies - All	-	248	(248)	0.0%
01-5034-03-00-00	Travel Expense/Tech. Conferences	6,348	7,037	(689)	110.8%
01-5035-03-00-00	Training Expense	3,300	3,114	186	94.4%
01-5039-03-00-00	Membership Dues/Fees	1,776	810	966	45.6%
01-5061-03-00-00	Mileage	202	220	(18)	108.9%
01-5309-03-00-00	Operating Leases	16,500	7,768	8,732	47.1%
01-5705-03-00-00	Monthly Car Allowance	4,200	3,570	630	85.0%
01-5802-03-00-00	Shipping/Freight	300	-	300	0.0%
01-6500-03-00-00	IT Allocations in to PC's & Depts.	58,488	41,274	17,214	70.6%
	Total Other Expenses	95,110	65,627	29,483	69.0%
Total Expenses		365,926	350,949	14,977	95.9%

The costs in this department will vary based on the amount of work required to support Capital Projects vs. Non-Capital Projects.

South Orange County Wastewater Authority
Budget vs. Actual Comparison - Administration
Year-to-Date April 30, 2018

Exhibit E-3

		FY 2017-18 Budget	*Budget Increase	Adjusted Budget	Actual	(Over)/Under Budget	% Expended	
Salary and Fringe								
01-6000-04-00-00	Regular Salaries-Admin or IT	871,373	30,000	901,373	724,628	176,745	80.4%	
01-6001-04-00-00	Overtime Salaries-Admin or IT	10,000		10,000	28,990	(18,990)	289.9%	(1)
_6315--**-00	Comp Time - Admin	-		-	10,045	(10,045)	0.0%	(1)
01-6401-04-00-00	Fringe Benefits IN to ADMIN or IT	646,559		646,559	537,674	108,885	83.2%	(1)
	Total Payroll Costs	1,527,932	30,000	1,557,932	1,301,336	256,596	83.5%	
Other Expenses								
01-5018-04-00-00	Public Notices/ Public Relations	1,400		1,400	-	1,400	0.0%	
01-6101-04-00-00	HR Recruitment & Employee Relations	10,104		10,104	42,474	(32,370)	420.4%	(2)
01-6102-04-00-00	Subscriptions	1,008		1,008	2,229	(1,221)	221.1%	(3)
01-6200-04-00-00	Management Support Services	112,500	147,500	260,000	171,371	88,629	65.9%	
01-6201-04-00-00	Audit	35,000	5,000	40,000	51,184	(11,184)	128.0%	
01-6202-04-00-00	Legal	90,000		90,000	233,595	(143,595)	259.6%	
01-6203-04-00-00	Outside Services	2,016		2,016	-	2,016	0.0%	
01-6204-04-00-00	Postage	708		708	2,144	(1,436)	302.9%	(1)
01-6223-04-00-00	Office Supplies - Admin	7,500		7,500	5,198	2,302	69.3%	
01-6224-04-00-00	Office Equipment Admin or IT	8,000		8,000	5,591	2,409	69.9%	
01-6234-04-00-00	Memberships & Trainings	84,827		84,827	71,655	13,172	84.5%	
01-6239-04-00-00	Travel & Conference	36,950		36,950	26,137	10,813	70.7%	
01-6240-04-00-00	Scholarship Sponsorship	1,000		1,000	-	1,000	0.0%	
01-6310-04-00-00	Miscellaneous	14,000		14,000	21,117	(7,117)	150.8%	(4)
01-6311-04-00-00	Mileage	1,000		1,000	1,047	(47)	104.7%	
01-6317-04-00-00	Contract Services Misc	1,800		1,800	4,065	(2,265)	225.8%	
01-6500-04-00-00	IT Allocations in to PC's & Depts.	111,365		111,365	78,582	32,783	70.6%	
01-6601-04-00-00	Shipping/Freight	1,200		1,200	3,035	(1,835)	252.9%	
01-6705-04-00-00	Monthly Car Allowance	12,000		12,000	10,200	1,800	85.0%	
	Total Other Expenses	532,378	152,500	684,878	729,622	(44,744)	106.5%	
Total Expenses		2,060,310	182,500	2,242,810	2,030,958	211,852	90.6%	

*Budget increase approved at Board Meeting.

- (1) Additional requirements for Admin due to audits & contracting work; please note that the regular salaries are higher because the staff took less PTO time in order to meet work requirements.
- (2) Recruiting fees relating to increased workload & staff additions.
- (3) Subscription to OC Register
- (4) Iron Mountain, pulling historical documents relating to audit

South Orange County Wastewater Authority
Budget vs. Actual Comparison-IT
For the Period Ended April 30, 2018

Exhibit E-4

		FY 2017-18 Budget	Actual	(Over)/Under Budget	% Expended	
Salary & Fringe						
01-6000-05-00-00	Regular Salaries-Admin or IT	87,428	73,481	13,947	84.0%	
01-6001-05-00-00	Overtime Salaries-Admin or IT	2,076	5,852	(3,776)	281.9%	
01-6315-05-00-00	Comp Time - IT	-	2,110	(2,110)	0.0%	(1)
01-6401-05-00-00	Fringe Benefits IN to ADMIN or IT	64,871	54,523	10,348	84.0%	(2)
	Total Salary & Fringe	154,375	135,965	18,410	88.1%	
Other Expenses						
01-5028-05-00-00	Small Tools & Supplies	1,250	-	1,250	0.0%	
01-5035-05-00-00	Training Expense	7,800	11,100	(3,300)	142.3%	
01-5037-05-00-00	Office Equipment	1,270	-	1,270	0.0%	(3)
01-5061-05-00-00	Mileage	1,008	-	1,008	0.0%	
01-5306-05-00-00	Scheduled Holiday Work	-	217	(217)	0.0%	
01-6200-05-00-00	Management Support Services	-	4,350	(4,350)	0.0%	
01-6234-05-00-00	Memberships & Trainings	-	226	(226)	0.0%	(4)
01-6239-05-00-00	Travel & Conference	9,900	2,308	7,592	23.3%	
01-6300-05-00-00	Software Maintenance Agreements	170,893	53,193	117,700	31.1%	
01-6301-05-00-00	Hardware Maintenance Agreements	11,657	2,889	8,768	24.8%	
01-6302-05-00-00	Cloud Subscriptions (Internet)	45,300	41,226	4,074	91.0%	
01-6303-05-00-00	Telecommunications	134,300	100,037	34,263	74.5%	
01-6305-05-00-00	IT Professional Services	77,000	90,277	(13,277)	117.2%	
01-6306-05-00-00	Small Hardware Purchases (< \$5k)	70,000	47,273	22,727	67.5%	(5)
01-6307-05-00-00	Small Software Purchases & Licenses (<\$5k)	89,455	46,152	43,303	51.6%	
01-6308-05-00-00	IT Memberships	160	-	160	0.0%	
01-6309-05-00-00	Operating Leases	44,000	43,601	399	99.1%	
01-6310-05-00-00	Miscellaneous	5,000	21	4,979	0.4%	
01-6312-05-00-00	Computer & Photocopy Supplies	900	2,997	(2,097)	333.0%	
01-6601-05-00-00	Shipping/Freight	276	-	276	0.0%	(6)
	Total Other Expenses	670,169	445,866	224,303	66.5%	
Total Expenses before Allocation		824,544	581,831	242,713	70.6%	
IT Allocations (Out) to PC's & Depts						
01-6400-05-00-00	IT Allocations (OUT) to PC's & Depts.	(824,544)	(581,831)	(242,713)	70.6%	
		(824,544)	(581,831)	(242,713)	70.6%	

- (1) Security patch application after business hours to avoid business network interruption.
(2) Software application updates due to software integration projects.
(3) Unexpected training expenses due to new security threats of public utilities.
(4) Temporary IT staffing unexpected in FY.
(5) Additional training for new employees on finance software.
(6) Unanticipated supply costs associated with new employees.

Agenda Item

6

Legal Counsel Review: N/A

Meeting Date: June 27, 2018

TO: Finance Committee

FROM: Betty Burnett, General Manager

STAFF CONTACT: Mary Carey, Finance Controller

SUBJECT: UAL Distribution by Member Agency - Method Update

Summary:

SOCWA staff has been in discussion with two actuarial firms regarding the approach for the distribution of unfunded liabilities to SOCWA member agencies. An informational presentation PowerPoint is attached hereto and will be presented at the Finance Committee by Marilyn Jones of Nyhart and Mary Beth Redding of Bartel Associates.

The presentation will cover:

- The history of CalPERS Miscellaneous Risk Pools;
- The SOCWA “tiers” of benefits (pre 2012, 2012 and Classic hires post 2012, PEPRA Tier) and PERS reported funding;
- PERS approach to Funding Valuations and the Assumptions/Adjustments to the Pools made over time;
- Data available to SOCWA to determine reasonable allocations;
- Allocation Options to Project Committees.

Recommendation: Discussion of alternatives and direction to staff.

SOCWA

**UAL Distribution
by Member Agency
Method Update**

**Finance Committee
June 27, 2018**

CalPERS Actuarial Valuation Tier 1 Pension Plan

Plan's Funded Status

	June 30, 2015		June 30, 2016	
1. Present Value of Projected Benefits (PVB)	\$	46,560,094	\$	48,866,572
2. Entry Age Normal Accrued Liability (AL)		42,740,166		45,416,817
3. Plan's Market Value of Assets (MVA)		32,946,237		32,602,074
4. Unfunded Accrued Liability (UAL) [(2) - (3)]		9,793,929		12,814,743
5. Funded Ratio [(3) / (2)]		77.1%		71.8%

This measure of funded status is an assessment of the need for future employer contributions based on the selected actuarial cost method used to fund the plan. The UAL is the present value of future employer contributions for service that has already been earned and is in addition to future normal cost contributions for active members. For a measure of funded status that is appropriate for assessing the sufficiency of plan assets to cover estimated termination liabilities, please see "Hypothetical Termination Liability" in the "Risk Analysis" section.

Plan Assets Exceed Current Retirees Accrued Pension Liability

Breakdown of Entry Age Normal Accrued Liability

1.	Active Members	\$	16,580,079
2.	Transferred Members		5,859,841
3.	Terminated Members		671,269
4.	Members and Beneficiaries Receiving Payments		<u>22,305,628</u>
5.	Total	\$	45,416,817

Development of the Plan's Share of Pool's Market Value of Assets

1.	Plan's Accrued Liability	\$	45,416,817
2.	Plan's UAL	\$	12,814,743
3.	Plan's Share of Pool's MVA [(1)-(2)]	\$	<u>32,602,074</u>

49% of Unfunded Liability is for Retirees

Hi Mary,

Following up on our recent discussion to confirm that CalPERS policy is not to disclose the value of accrued benefits (or accrued liability) for individual members of the plan for privacy reasons.

However, I can provide the breakdown of accrued liability and the associated unfunded liability by Member status as follows:

From the June 30, 2016 valuation report for the First Tier plan we have the following breakdown:

Member Group	Count	Accrued		Unfunded	
		Liability	%	Liability	2018-19 UAL Payment
Retired Members & Beneficiaries	57	22,305,628	49.11%	6,293,724	362,406
Active Members	36	16,580,079	36.51%	4,678,211	269,382
Transferred Members	44	5,859,841	12.90%	1,653,404	95,207
Terminated Members	18	671,269	1.48%	189,404	10,906
Totals		45,416,817		12,814,743	737,901

The plan's funded status at June 30, 2016 was 71.8% (ratio of assets to accrued liabilities) and that amount will increase to approximately 73.4% for the at June 30, 2017 when the next valuation is provided to you at the end of July.

If you have any questions on these results or need additional information, please do not hesitate to call me.

Kerry J. Worgan, FSA, FCLA, MAAA
Supervising Pension Actuary
Actuarial Office
CalPERS

Separation Date	Benefit Effective Date	Benefit Type				
7/1/1979	8/2/2008	Service Retirement	1			
11/21/1983	4/1/2017	Service Retirement	2			
9/15/2002	12/31/2008	Service Retirement	3			
11/4/2002	12/1/2002	Service Retirement	4	33% Retired Prior to 2009 13 Retirees		
8/1/2003	8/1/2003	Service Retirement	5			
12/31/2003	12/31/2003	Service Retirement	6			
9/11/2004	9/11/2004	Service Retirement	7			
7/2/2005	8/1/2005	Service Retirement	8			
12/31/2005	12/31/2005	Service Retirement	9			
8/25/2006	8/25/2006	Disability Retirement	10			
6/30/2007	6/30/2007	Service Retirement	11			
8/1/2007	8/1/2007	Service Retirement	12			
12/28/2007	12/28/2007	Service Retirement	13			
5/9/2009	5/9/2009	Service Retirement	14	21% Retired Last 13 Years 8 Retirees		
6/27/2009	6/27/2009	Service Retirement	15			
7/6/2009	7/6/2009	Service Retirement	16			
7/31/2009	8/1/2009	Service Retirement	17			
10/15/2010	10/15/2010	Service Retirement	18			
1/27/2011	1/27/2011	Service Retirement	19			
11/30/2012	12/1/2012	Service Retirement	20			
12/28/2012	12/28/2012	Service Retirement	21			
1/31/2013	2/15/2013	Service Retirement	22	Over 46% Retired Last 5 Years 18 Retirees		
7/29/2013	7/28/2013	Service Retirement	23			
10/6/2013	5/1/2016	Service Retirement	24			
12/7/2013	12/13/2013	Service Retirement	25			
9/2/2014	9/2/2014	Disability Retirement	26			
10/10/2014	10/10/2014	Service Retirement	27			
12/30/2014	12/30/2014	Service Retirement	28			
5/15/2015	5/15/2015	Service Retirement	29			
8/1/2015	8/1/2015	Service Retirement	30			
9/20/2015	9/20/2015	Service Retirement	31			
12/18/2015	12/18/2015	Service Retirement	32			
12/31/2015	12/31/2015	Service Retirement	33			
12/31/2015	12/31/2015	Service Retirement	34			
5/21/2016	5/20/2016	Service Retirement	35			
7/28/2016	7/28/2016	Service Retirement	36			
12/3/2016	12/3/2016	Service Retirement	37			
12/28/2016	12/28/2016	Service Retirement	38			
5/13/2017	5/13/2017	Service Retirement	39			

Methodology to Distribute Pension Liability

1. Use Historical Time Worked by Project Committee and Wastewater Code, Liquid, Solids, Common, AWT, etc.
2. Source Document is Use Audit Report
3. Most Employees retired last 5 years; therefore, use FY 2013 through FY 2017 Labor Costs as Basis for Allocation to Member Agencies.
4. Actuary will consider:
 - a) Distribution of Liability by Project Committee based on 5 year labor costs from historical Use Audits
Next Step
 - b) Distribution within Project Committee by liquids, solids, common, etc. based on the same 5 year labor costs.

SOCWA
Labor Costs by Project Committee and Wastewater (Liquids, Solids, Common, AWT, etc.)
FY 2013 thru FY 2017

	%'s	FY 2013	%'s	FY 2014	%'s	FY 2015	%'s	FY 2016	%'s	FY 2017	5 Yr Avg %	5 Yr Avg \$	Alloc by PC
PC 2		1,378,369		1,274,998		1,351,682		1,350,086		1,331,150		1,337,257	29.9%
Liquids	58.8%	810,205	58.2%	741,539	51.8%	699,630	47.4%	639,815	49.7%	661,833	53.2%		
Solids	32.0%	441,216	32.2%	410,677	38.6%	521,479	38.4%	518,148	37.9%	504,868	35.8%		
Common	9.2%	126,948	9.6%	122,782	9.7%	130,572	14.2%	192,123	12.4%	164,449	11.0%		
	100.0%	1,378,369		1,274,998	100.0%	1,351,682	100.0%	1,350,086	100.0%	1,331,150			
PC 3A		595,853		594,911		606,276		20,795		2,447		364,056	8.1%
Liquids	63.3%	376,877	64.3%	382,766	65.5%	397,293	86.9%	18,073	44.8%	1,096	65.0%		
Solids	27.5%	163,979	22.1%	131,178	18.7%	113,556	0.9%	193	44.8%	1,096	22.8%		
Common	3.5%	21,093	3.5%	20,524	4.0%	24,069	9.9%	2,063	10.5%	256	6.3%		
AWT	5.7%	33,904	10.2%	60,443	11.8%	71,359	2.2%	465			7.5%		
	100.0%	595,853	100.0%	594,911	100.0%	606,276	100.0%	20,795	100.0%	2,447			
PC 5		102,479		93,891		62,162		68,145		99,609		85,257	1.9%
Var 5%	5.0%	5,124	5.0%	4,695	5.0%	3,108	5.0%	3,407	5.0%	4,980	5.0%		
Var 95%	95.0%	97,355	95.0%	89,196	95.0%	59,054	95.0%	64,738	95.0%	94,628	95.0%		
	100.0%	102,479	100.0%	93,891	100.0%	62,162	100.0%	68,145	100.0%	99,609			
PC 08		137,238		132,414		148,379		105,799		76,494		120,065	2.7%
Timecard													
CLB	6.5%	8,969	6.3%	8,293	6.4%	9,445	6.6%	6,983	3.9%	3,016	5.9%		
CSC	6.2%	8,537	6.2%	8,147	6.5%	9,612	8.1%	8,569	8.8%	6,719	7.1%		
CSJC	11.0%	15,073	11.8%	15,635	10.3%	15,302	7.6%	8,041	4.6%	3,532	9.1%		
EBSD	0.5%	726	0.7%	883	0.6%	870	0.9%	952	1.1%	864	0.8%		
ETWD	5.4%	7,379	5.6%	7,409	5.6%	8,268	4.7%	4,972	2.6%	1,985	4.8%		
IRWD	6.6%	9,041	6.4%	8,444	6.8%	10,113	9.6%	10,157	12.2%	9,295	8.3%		
MNWD	22.3%	30,623	22.1%	29,321	22.2%	32,939	21.8%	23,064	23.7%	18,139	22.4%		
SCWD	17.5%	24,022	17.2%	22,746	17.8%	26,406	17.6%	18,621	17.4%	13,321	17.5%		
SMWD	23.9%	32,867	23.8%	31,536	23.9%	35,424	23.1%	24,440	25.7%	19,621	24.1%		
	100.0%	137,238	100.0%	132,414	100.0%	148,379	100.0%	105,799	100.0%	76,494			
PC 12								33,466		35,562		34,514	0.8%
Region 9								16,733	50.0%	17,781	50.0%		
Equally								16,733	50.0%	17,781	50.0%		
	0.0%	0	0.0%	0	0.0%	0	100.0%	33,466	100.0%	35,562			
PC 15		836,588		845,499		880,020		753,438		804,427		823,994	18.4%
Liquids	71.0%	593,810	68.2%	576,292	63.8%	561,101	56.1%	422,634	64.1%	515,247	64.6%		
Common	17.7%	148,243	20.0%	168,931	21.6%	190,084	26.3%	198,063	21.4%	172,001	21.4%		
AWT	11.3%	94,534	11.9%	100,276	14.6%	128,835	17.6%	132,740	14.6%	117,179	14.0%		
	100.0%	836,588	100.0%	845,499	100.0%	880,020	100.0%	753,438	100.0%	804,427			
PC 17		1,613,684		1,621,526		1,695,357		1,621,466		1,555,513		1,621,509	36.3%
Liquids	36.0%	581,088	34.3%	556,183	35.8%	606,260	38.1%	618,560	42.9%	667,738	37.4%		
Solids	48.2%	777,796	50.5%	819,519	48.5%	821,401	45.7%	740,880	43.3%	673,610	47.2%		
Common	8.0%	128,288	6.1%	98,751	6.7%	114,267	9.0%	145,166	7.2%	112,103	7.4%		
AWT	7.8%	126,513	9.1%	147,072	9.1%	153,430	7.2%	116,859	6.6%	102,062	7.9%		
	100.0%	1,613,684	100.0%	1,621,526	100.0%	1,695,357	100.0%	1,621,466	100.0%	1,555,513			
PC 24		104,339		94,792		74,405		60,286		94,513		85,667	1.9%
Var 5%	5.0%	5,217	5.0%	4,740	5.0%	3,720	5.0%	3,014	5.0%	4,726	5.0%		
Var 95%	95.0%	99,122	95.0%	90,053	95.0%	70,685	95.0%	57,271	95.0%	89,788	95.0%		
	100.0%	104,339	100.0%	94,792	100.0%	74,405	100.0%	60,286	100.0%	94,513			
Tot. Labor		4,768,550		4,658,031		4,818,280		4,013,481		3,999,716		4,472,320	100.0%

South Orange County Wastewater Authority

CalPERS Unfunded Liabilities and Allocation Review

Mary Beth Redding



Marilyn Jones



Background

- SOCWA Created July 1, 2001 as Legal Successor:
 - Aliso Water Management Agency
 - South East Regional Reclamation Authority
 - South Orange County Reclamation Authority
- Joint Power Authority: 10 Member Agencies
 - All Funding for SOCWA From Member Agencies
- Long Term Liabilities Include \$11,549,944 (June 30, 2017 CAFR) for CalPERS pension
 - SOCWA's proportionate share from CalPERS GASB 68 Risk Pool Report
 - Individual Member Agency share unknown
 - SOCWA seeks reasonable alternative allocation methods

CalPERS History

- SOCWA Participates in CalPERS Miscellaneous Risk Pools: Risk for unexpected demographic events pooled
 - In 2003 CalPERS required all employers with < 100 Active Employees be in Risk Pools (established for each CalPERS Benefit Group)
 - Funding contribution:
 - Normal Cost: Annual accrual for the risk pool phased in over 5 years expressed & paid as % of payroll plus
 - Side Fund Amount: SOCWA's underfunding vs. the risk pool paid off by 2010 based on June 30, 2010 report
 - Additional Unfunded Accrued Liability payment (also as % of payroll)
- SOCWA's CalPERS Benefit Groups
 - Tier 1 (Pre 2012) 2.5% @ 55 – Final Annual Pay
 - Tier 2 (2012 & Classic new hires post 2012): 2% @ 55 – Final Annual Pay
 - PEPR Tier (non-Classic new hires 2013 & later): 2.0% @ 62 – Final 3 Years Average Pay

Changes Impacting Funding

- 6/30/2013 Valuation; Effective for 2015/16 Contributions Change in Risk Pooling Implemented*
 - 2 risk pools - All Miscellaneous plans & All Safety plans
 - UAL allocated based on accrued liability instead of payroll & payment for UAL determined based on dollar amount vs. % of payroll
 - Eliminate asset smoothing method; use market value of asset
 - Change in amortization methods & rate basis
 - Employers can make additional contributions to pay down UAL sooner

* Changes made to address several concerns including:

- Inequity and anti-selection as plans w/high ratio of UAL to payroll paying less than fair share; low-debt plans pay more
- Closed group issues due to PEPRA
- Negative amortization (payments for current liability deferred to future periods)

Changes Impacting Funding

- 6/30/2014 Valuation; Effective for 2016/17 Employer Contribution Change in Demographic Assumptions from 2014 Published CalPERS Experience Study
 - Increased longevity including anticipation of mortality improvements – impacts all participants
 - Earlier retirements for richer formulas – impacts active participants
 - Greater salary increases in later years – impact active participants
 - No changes in economic assumptions (e.g. interest rate, inflation rate, payroll growth); Interest rate last lowered in 2011 valuation to current rate of 7.5% from 7.75%

GASB 68 Accounting

- Pre-GASB 68 (GASB 27): SOCWA Required to Recognize Difference Between CalPERS Required Contribution vs. Actual Contribution
 - Since contribution determined as percentage (%) of payroll any allocation would likely be based on pensionable earnings (basis of contributions)
- GASB 68 (effective FY2015/16): SOCWA Required to Recognized Unfunded Accrued Liability (UAL)
 - Measured using market value of assets
 - Referred to as Net Pension Liability (NPL)
- Future changes in Net (unfunded accrued) Pension Liability (NPL) must be recognized much faster than typically funded
 - Over average remaining service period – 4 years for SOCWA
 - Investment gains & losses over 5 years

Historical Funding Reports: 2011 to 2016

CalPERS Funding Valuation Reports						
	June 30, 2011	June 30, 2012	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016
Discount Rate	7.500%	7.500%	7.500%	7.500%	7.500%	7.375%
Active Employees	Not Available	Not Available	Not Available	Not Available	Not Available	\$17,224,577
Former Employees	<u>Not Available</u>	<u>Not Available</u>	<u>Not Available</u>	<u>Not Available</u>	<u>Not Available</u>	<u>\$28,875,355</u>
Accrued Liability (AL)	\$30,720,322	\$33,045,231	\$35,926,484	\$40,430,935	\$43,098,253	\$46,099,932
Market Value of Assets	<u>(\$23,496,434)</u>	<u>(\$23,779,692)</u>	<u>(\$27,376,067)</u>	<u>(\$32,539,604)</u>	<u>(\$33,305,516)</u>	<u>(\$33,232,485)</u>
Unfunded AL (UAL)	\$7,223,888	\$9,265,539	\$8,550,417	\$7,891,331	\$9,792,737	\$12,867,447
Funded Status	76%	72%	76%	80%	77%	72%
Active Employees	58	58	60	57	58	60
Former Employees	80	78	81	96	120	124
(# of Retirees included)	33	33	39	43	51	57

- Pre-2011 CalPERS did not provide UAL in reports
- Pre-2013 CalPERS determined UAL based on payroll versus accrued liability
- 2013: Change in Risk Pooling/Asset Loss
- \$5.0M UAL due to SOCWA's share of risk pool/\$3.6M due to Asset loss
- 2014: \$1.8M additional UAL due to Demographic Assumption changes; (\$2.8M) reduction in UAL due to Asset Gain
- 2015: \$1.8M additional UAL due to Asset Loss
- 2016: \$2.3M additional UAL due to Asset Loss; \$0.7M additional due to discount rate change (excludes impact of full decrease to 7.0%)

Most Recent Funding Valuation Reports

June 30, 2016 CalPERS Funding Valuation Report				
	Tier 1	Tier 2	PEPRA	All Plans
Discount Rate	7.375%	7.375%	7.375%	7.375%
Active Employees	\$16,580,079	\$454,174	\$190,324	\$17,224,577
Transfers	\$5,859,841	\$27,243	\$2,419	\$5,889,503
Terminated	\$671,269	\$0	\$8,955	\$680,224
Retirees	<u>\$22,305,628</u>	<u>\$0</u>	<u>\$0</u>	<u>\$22,305,628</u>
Accrued Liability (AL)	\$45,416,817	\$481,417	\$201,698	\$46,099,932
Market Value of Assets	<u>(\$32,602,074)</u>	<u>(\$449,242)</u>	<u>(\$181,169)</u>	<u>(\$33,232,485)</u>
Unfunded AL (UAL)	\$12,814,743	\$32,175	\$20,529	\$12,867,447
Funded Status	72%	93%	90%	72%
Assets Applicable to Active AAL	\$10,296,446	\$449,242	\$181,169	\$10,926,857
Active Employees	36	7	17	60
Non-Retired Former Employees	62	1	4	67
Retired Former Employees	57	0	0	57

Note: UAL (funding terminology) is similar to NPL (accounting terminology) – timing difference

Pension Liability/Costs Allocation: Actuarial Perspective

- Reasonable to Allocate to Entities that Contribute
- No “Correct” Allocation Method Under GASB
 - Method should be reasonable
 - Method to determine should be documented
- Pensionable Earnings Allocation Reasonable
 - CalPERS required funding contribution based on pensionable earnings
 - Benefits are based on a percentage of final earnings
- Other Factors to Consider
 - Service with each Member Agency – measured by labor costs
 - Possibly pension tier – Member Agencies share equal access to employee experience
 - Availability of data – individual accrued liability or allocation of UAL/NPL is not provided by CalPERS
 - Inactive participants make up approximately 50% of SOCWA’s pension liabilities. Current method of allocation is based on today's labor costs.

What to Allocate?

- CalPERS Unfunded Liability (UAL)
 - Based on census data and assets at valuation date
 - Currently phasing into discount rate change
 - Basis for future contributions
- GASB 68 Net Pension Liability (NPL)
 - Allocation of liability for total risk pool
 - Follows GASB 68 rules meant for consistent reporting
 - Census data 2 years before FYE, assets 1 year before FYE

Comparison of UAL and NPL

	Financial Reporting (GASB Statement 68)				
FYE	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018
Measurement Date	6/30/2013	6/30/2014	6/30/2015	6/30/2016	6/30/2017
Census Data Date	6/30/2012	6/30/2013	6/30/2014	6/30/2015	6/30/2016
Total Pension Liability (Allocated)	37,785,446	40,034,045	41,977,344	44,672,109	49,973,230
Fiduciary Net Position (Allocated)	<u>28,502,018</u>	<u>33,239,766</u>	<u>32,922,809</u>	<u>33,122,165</u>	<u>36,562,793</u>
Net Pension Liability (Allocated)	9,283,428	6,794,279	9,054,535	11,549,944	13,410,437
	CalPERS Required Contribution Basis				
Valuation Date	6/30/2013	6/30/2014	6/30/2015	6/30/2016	6/30/2017
Actuarial Accrued Liability	35,926,484	40,430,935	43,098,253	46,099,932	
Assets	<u>27,376,067</u>	<u>32,539,604</u>	<u>33,305,516</u>	<u>33,232,485</u>	
Unfunded (UAL)	8,550,417	7,891,331	9,792,737	12,867,447	

Allocation of Unfunded Liabilities

- CalPERS will not calculate/allocate liability by individuals
 - Current or historical
- CalPERS will not calculate/allocate liability by member agency

Methodologies

- Calculate by individual employee/retiree
 - Outside actuary needed to calculate but still an estimate
 - Risk pools mean CalPERS pools calculations
 - Difficult/impossible to track movement of individuals
 - Doesn't reflect shared benefit of experienced people
- Allocation
 - PERS didn't report UAL before 2011
 - Allocation is simpler to administer than actuarial calculations by individual and may not be less accurate

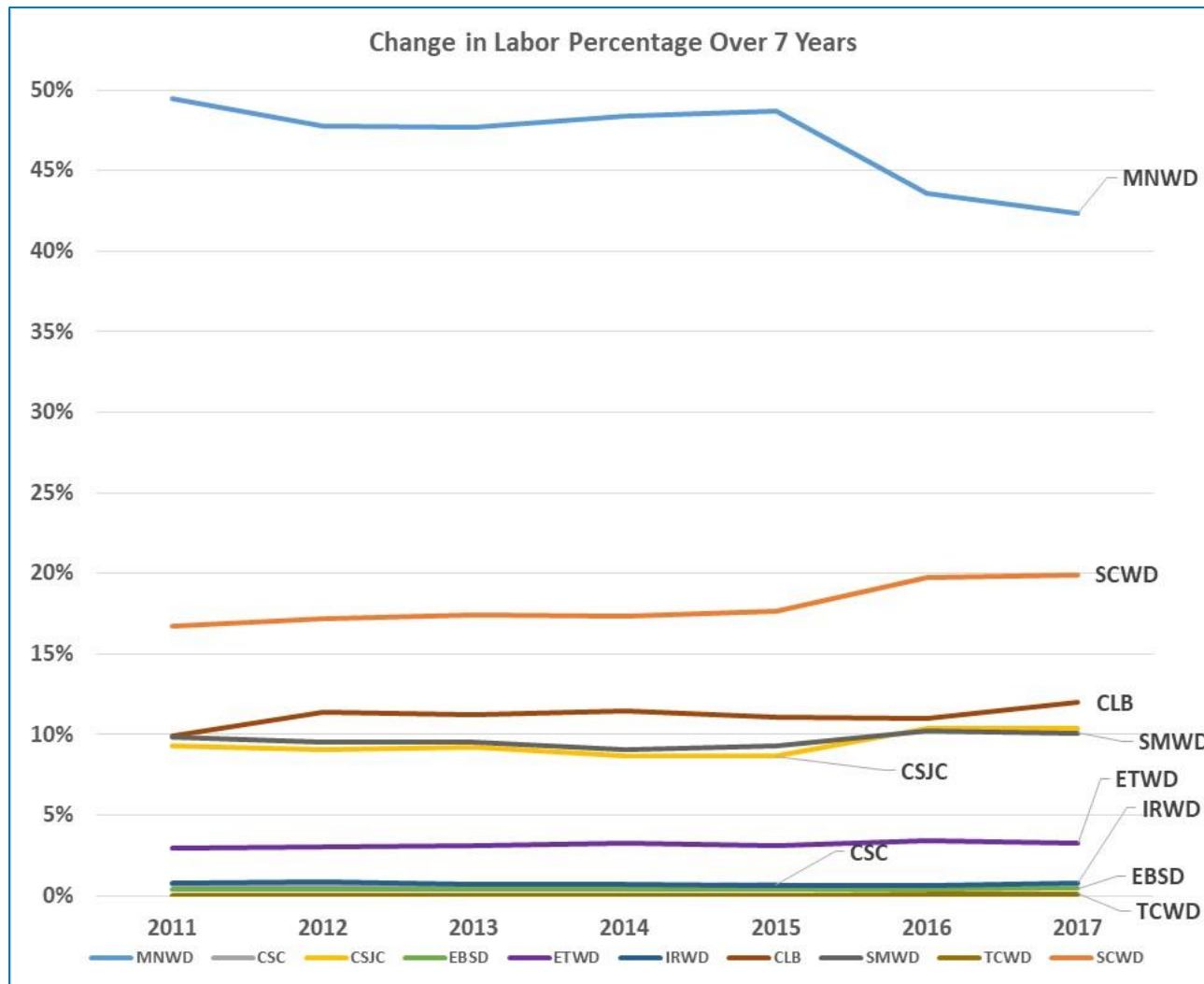
Allocation Methodologies

- Allocate on labor costs
 - Pensions considered deferred compensation
 - Historic labor cost split well documented
 - Options:
 - Re-allocate UAL each year
 - Current year costs
 - Multi-year average
 - Year-by-Year Rollforward
 - Reflects changes in % over time
 - Better addresses agencies joining and leaving

Labor Cost-Based Allocation

	Allocation % Based on Labor Costs in:								
Member Agency	2011	2012	2013	2014	2015	2016	2017	Average	7-Year Dollar-Weighted Average
CLB	9.9%	11.4%	11.2%	11.5%	11.1%	11.0%	12.0%	11.2%	11.1%
CSC	0.7%	0.7%	0.7%	0.6%	0.5%	0.6%	0.7%	0.6%	0.6%
CSJC	9.3%	9.1%	9.2%	8.7%	8.7%	10.4%	10.4%	9.4%	9.3%
EBSD	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
ETWD	3.0%	3.0%	3.1%	3.2%	3.1%	3.4%	3.3%	3.2%	3.2%
IRWD	0.8%	0.9%	0.7%	0.7%	0.6%	0.6%	0.8%	0.7%	0.8%
MNWD	49.5%	47.8%	47.7%	48.4%	48.7%	43.6%	42.4%	46.9%	46.9%
SCWD	16.7%	17.2%	17.4%	17.4%	17.7%	19.8%	19.9%	18.0%	17.9%
SMWD	9.8%	9.6%	9.5%	9.1%	9.3%	10.2%	10.1%	9.7%	9.8%
TCWD	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.0%	0.1%

Labor Cost-Based Allocation



Labor Cost-Based Allocation



Allocation Process

- Year-by-Year:
 - Allocate 6/30/11 UAL using 2011 percentages
 - Allocate changes in each subsequent year by percentages for that year
 - Total over all years
 - Better method if percentages change significantly
- Multi-year average
 - Multiply by UAL in any year
 - Use 5-year rolling average of percentages

Year By Year Allocation Basis - UAL

Allocation Basis		2011	2012	2012	2013	2013	2014	2014	2014	2015	2015	2015	2016	2016	2016		
		30-Jun 2011	FYE 2012	FYE 2012	30-Jun 2012	FYE 2013	FYE 2013	30-Jun 2013	FYE 2014	FYE 2014	30-Jun 2014	FYE 2015	FYE 2015	30-Jun 2015	FYE 2016	FYE 2016	30-Jun 2016
		UAL	ER Contr	Other	UAL	ER Contr	Other	UAL	ER Contr	Other	UAL	ER Contr	Other	UAL	ER Contr	Other	UAL
Total		4,466,317	(526,473)	826,304	4,766,148	(546,552)	4,330,821	8,550,417	(500,918)	(158,168)	7,891,331	(479,039)	2,380,445	9,792,737	(529,033)	3,603,743	12,867,447
MNWD		2,210,626	(251,638)	394,948		(260,665)	2,065,480		(242,207)	(76,478)		(233,188)	1,158,760		(230,736)	1,571,764	6,106,667
SCWD		746,828	(90,572)	142,153		(95,156)	754,006		(87,052)	(27,487)		(84,747)	421,126		(104,524)	712,010	2,286,586
CSC		31,334	(3,689)	5,790		(3,629)	28,753		(3,171)	(1,001)		(2,372)	11,788		(2,912)	19,836	80,728
CSJC		414,519	(47,667)	74,814		(50,234)	398,046		(43,602)	(13,768)		(41,444)	205,946		(54,758)	373,009	1,214,861
EBSD		16,782	(2,149)	3,373		(2,200)	17,436		(2,101)	(663)		(1,986)	9,869		(2,276)	15,503	51,586
ETWD		131,942	(15,932)	25,006		(17,130)	135,736		(16,207)	(5,117)		(14,745)	73,272		(17,978)	122,463	401,309
IRWD		34,093	(4,551)	7,142		(4,039)	32,007		(3,512)	(1,109)		(2,916)	14,489		(3,399)	23,156	91,361
CLB		442,222	(59,959)	94,106		(61,425)	486,729		(57,584)	(18,183)		(52,978)	263,261		(58,053)	395,453	1,373,588
SMWD		437,970	(50,316)	78,971		(52,074)	412,629		(45,482)	(14,361)		(44,662)	221,934		(53,969)	367,636	1,258,276
TCWD		-	-	-		-	-		-	-		-	-		(428)	2,912	2,485
Total		4,466,317	(526,473)	826,304	4,766,148	(546,552)	4,330,821	8,550,417	(500,918)	(158,168)	7,891,331	(479,039)	2,380,445	9,792,737	(529,033)	3,603,743	12,867,447

UAL Allocation - Comparison

	Allocation of CalPERS 6/30/16 Unfunded Liability				
Member Agency	Year-by-Year Method	5-Year Dollar-Weighted Average	Difference	Ratio	7-Year Dollar-Weighted Average
CLB	1,374,000	1,451,000	77,000	5.60%	1,424,000
CSC	81,000	77,000	(4,000)	-4.94%	81,000
CSJC	1,215,000	1,207,000	(8,000)	-0.66%	1,199,000
EBSB	52,000	54,000	2,000	3.85%	53,000
ETWD	401,000	416,000	15,000	3.74%	408,000
IRWD	91,000	95,000	4,000	4.40%	100,000
MNWD	6,107,000	5,949,000	(158,000)	-2.59%	6,034,000
SCWD	2,287,000	2,356,000	69,000	3.02%	2,303,000
SMWD	1,258,000	1,253,000	(5,000)	-0.40%	1,256,000
TCWD	2,000	10,000	8,000	400.00%	10,000
Total	12,868,000	12,868,000	-		12,868,000

Year By Year Allocation Basis - NPL

Allocation Basis:		MEASUREMENT DATE							
		30-Jun	FYE	30-Jun	FYE	30-Jun	FYE	30-Jun	FYE
		2013	2014	2014	2015	2015	2016	2016	2017
		NPL	Change	NPL	Change	NPL	Change	NPL	Change
Total		9,283,428	(2,489,149)	6,794,279	2,260,256	9,054,535	2,495,409	11,549,944	1,860,493
MNWD	4,427,506	(1,203,569)	-	1,100,254	-	1,088,367	-	788,081	6,200,639
SCWD	1,616,266	(432,574)	-	399,863	-	493,031	-	370,795	2,447,381
CSC	61,635	(15,755)	-	11,192	-	13,736	-	12,423	83,230
CSJC	853,239	(216,666)	-	195,548	-	258,290	-	192,781	1,283,192
EBSB	37,374	(10,440)	-	9,371	-	10,735	-	8,212	55,252
ETWD	290,959	(80,536)	-	69,573	-	84,799	-	61,028	425,824
IRWD	68,609	(17,453)	-	13,757	-	16,034	-	14,595	95,543
CLB	1,043,338	(286,147)	-	249,969	-	273,831	-	223,159	1,504,149
SMWD	884,501	(226,009)	-	210,728	-	254,569	-	187,816	1,311,606
TCWD	-	-	-	-	-	2,017	-	1,603	3,620
Total	9,283,428	(2,489,149)	6,794,279	2,260,256	9,054,535	2,495,409	11,549,944	1,860,493	13,410,437

NPL Allocation - Comparison

	Allocation of 6/30/17 Net Pension Liability (GASB 68)				
Member Agency	Year-by-Year Method	5-Year Dollar-Weighted Average	Difference	Ratio	7-Year Dollar-Weighted Average
CLB	1,504,000	1,512,000	8,000	0.53%	1,484,000
CSC	83,000	80,000	(3,000)	-3.61%	84,000
CSJC	1,283,000	1,258,000	(25,000)	-1.95%	1,249,000
EBSB	55,000	56,000	1,000	1.82%	55,000
ETWD	426,000	433,000	7,000	1.64%	425,000
IRWD	95,000	99,000	4,000	4.21%	104,000
MNWD	6,201,000	6,201,000	-	0.00%	6,290,000
SCWD	2,447,000	2,455,000	8,000	0.33%	2,400,000
SMWD	1,312,000	1,306,000	(6,000)	-0.46%	1,309,000
TCWD	4,000	10,000	6,000	150.00%	10,000
Total	13,410,000	13,410,000	-		13,410,000

Alternative Approaches

1. Pensionable Earnings Approach – Assume Former Employees' Accrued Liability (AL) Fully Funded
 - Assume past contributions & earnings first allocated to retiree & other former employees
 - June 30, 2016 valuation assets > former employee AL (80% of former employee AL due to retirees) – UAL then all attributable to current active employees
 - Need allocation percentage for service and related wages (Labor Costs) for each Member Agency
 - Current year only
 - Multiple years – 7 years of Labor Costs available
 - With or without Tier 2 and PEPRA Tier

Considerations

- Most workable alternative as information needed readily available
- Asset allocation – contributions & earnings first allocated to former employees

Unfunded Accrued Liability (UAL) Allocation

Member Agencies	Most Recent Year	Member Agency %	Seven Year Average	Member Agency %	Five Year Average	Member Agency %
CLB	\$ 1,543,399	12.0%	\$ 1,419,790	11.0%	\$ 1,450,842	11.3%
CSC	\$ 85,916	0.7%	\$ 80,668	0.6%	\$ 76,992	0.6%
CSJC	\$ 1,333,301	10.4%	\$ 1,197,588	9.3%	\$ 1,207,377	9.4%
EBSD	\$ 56,798	0.4%	\$ 52,771	0.4%	\$ 53,872	0.4%
ETWD	\$ 422,079	3.3%	\$ 414,799	3.2%	\$ 415,926	3.2%
IRWD	\$ 100,944	0.8%	\$ 100,055	0.8%	\$ 94,583	0.7%
MNWD	\$ 5,450,486	42.4%	\$ 6,016,971	46.8%	\$ 5,949,283	46.2%
SCWD	\$ 2,564,474	19.9%	\$ 2,316,107	18.0%	\$ 2,355,588	18.3%
SMWD	\$ 1,298,962	10.1%	\$ 1,259,169	9.8%	\$ 1,253,360	9.7%
TCWD	\$ 11,088	0.1%	\$ 9,529	0.1%	\$ 9,624	0.1%
Total	\$ 12,867,447	100.0%	\$ 12,867,447	100.0%	\$ 12,867,447	100.0%

Note: Percentages derived from SOCWA provided labor cost reports (FYE2013 through FYE2017)

Net Pension Liability (NPL) Allocation

Member Agencies	Most Recent Year	Member Agency %	Seven Year Average	Member Agency %	Five Year Average	Member Agency %
CLB	\$ 1,385,370	12.0%	\$ 1,274,417	11.0%	\$ 1,302,290	11.3%
CSC	\$ 77,119	0.7%	\$ 72,408	0.6%	\$ 69,109	0.6%
CSJC	\$ 1,196,784	10.4%	\$ 1,074,967	9.3%	\$ 1,083,753	9.4%
EBSD	\$ 50,983	0.4%	\$ 47,368	0.4%	\$ 48,356	0.4%
ETWD	\$ 378,862	3.3%	\$ 372,328	3.2%	\$ 373,339	3.2%
IRWD	\$ 90,609	0.8%	\$ 89,810	0.8%	\$ 84,899	0.7%
MNWD	\$ 4,892,409	42.4%	\$ 5,400,891	46.8%	\$ 5,340,134	46.2%
SCWD	\$ 2,301,896	19.9%	\$ 2,078,960	18.0%	\$ 2,114,398	18.3%
SMWD	\$ 1,165,961	10.1%	\$ 1,130,243	9.8%	\$ 1,125,028	9.7%
TCWD	\$ 9,953	0.1%	\$ 8,553	0.1%	\$ 8,639	0.1%
Total	\$ 11,549,944	100.0%	\$ 11,549,944	100.0%	\$ 11,549,944	100.0%

Notes

- Percentages derived from SOCWA provided labor cost reports (FYE2013 through FYE2017)
- NPL assumed to be allocated on same basis as UAL

Alternative Approaches

2. Pensionable Earnings Approach for Actives – Allocate Inactive UAL Based on Labor Costs in Year of Retirement

- Allocates the 50% of pension obligation due to former employees based on labor costs in the year of retirement
- Assets allocated based on accrued liability - all employee groups same UAL %
- Retiree UAL: Allocate retiree liability based on approximation from available individual retiree benefit information (86% of inactive liability determinable)
 - Final benefit is based on final wages so labor costs at year of retirement better approximation than current labor costs
- Active UAL: Allocate active liability using current labor costs
- Use retiree allocation percentage for Terminated employees and active allocation percentage for Transfers

Considerations

- Fairly easy actuarial calculations required to determine individual retiree accrued liability
- Approximations for other former employees
 - Pre-FY2010-11 retirees
 - Transfers and terminated employees
- Historical labor cost reports beyond 7 years likely not obtainable so 14% of retiree liability that is unknown is allocated the same as the 86% that is known
- Need to make assumptions for transferred employees

Labor Cost Allocation Percentage Used for Alternative 2

Member Agencies	2016-17	2015-16	2014-15	2013-14	2012-13	2011-12	2010-11	Separate Retiree Allocation
CLB	12.0%	11.0%	11.1%	11.5%	11.2%	11.4%	9.9%	11.4%
CSC	0.7%	0.6%	0.5%	0.6%	0.7%	0.7%	0.7%	0.6%
CSJC	10.4%	10.4%	8.7%	8.7%	9.2%	9.1%	9.3%	9.9%
EBSD	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
ETWD	3.3%	3.4%	3.1%	3.2%	3.1%	3.0%	3.0%	3.2%
IRWD	0.8%	0.6%	0.6%	0.7%	0.7%	0.9%	0.8%	0.7%
MNWD	42.4%	43.6%	48.7%	48.4%	47.7%	47.8%	49.5%	44.8%
SCWD	19.9%	19.8%	17.7%	17.4%	17.4%	17.2%	16.7%	18.9%
SMWD	10.1%	10.2%	9.3%	9.1%	9.5%	9.6%	9.8%	9.9%
TCWD	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
UAL/NPL Allocation	50.1%	13.4%	7.8%	6.4%	9.0%	0.0%	13.3%	100.0%
Based on 6/30/2016 Portion of Liability Due To:	Actives & Transfers	Retirees During Fiscal Year	Retirees During Fiscal Year	Retirees During Fiscal Year	Retirees During Fiscal Year	Retirees During Fiscal Year	Retirees During Fiscal Year and Before	

Unfunded Accrued Liability (UAL) Allocation

Member Agencies	Most Recent Year	Member Agency %	Separate Retiree Allocation	Member Agency %	Seven Year Average	Member Agency %	Five Year Average	Member Agency %
CLB	\$ 1,543,399	12.0%	\$ 1,468,176	11.4%	\$ 1,419,790	11.0%	\$ 1,450,842	11.3%
CSC	\$ 85,916	0.7%	\$ 82,352	0.6%	\$ 80,668	0.6%	\$ 76,992	0.6%
CSJC	\$ 1,333,301	10.4%	\$ 1,270,017	9.9%	\$ 1,197,588	9.3%	\$ 1,207,377	9.4%
EBSB	\$ 56,798	0.4%	\$ 54,043	0.4%	\$ 52,771	0.4%	\$ 53,872	0.4%
ETWD	\$ 422,079	3.3%	\$ 414,332	3.2%	\$ 414,799	3.2%	\$ 415,926	3.2%
IRWD	\$ 100,944	0.8%	\$ 95,219	0.7%	\$ 100,055	0.8%	\$ 94,583	0.7%
MNWD	\$ 5,450,486	42.4%	\$ 5,769,763	44.8%	\$ 6,016,971	46.8%	\$ 5,949,283	46.2%
SCWD	\$ 2,564,474	19.9%	\$ 2,434,521	18.9%	\$ 2,316,107	18.0%	\$ 2,355,588	18.3%
SMWD	\$ 1,298,962	10.1%	\$ 1,273,877	9.9%	\$ 1,259,169	9.8%	\$ 1,253,360	9.7%
TCWD	\$ 11,088	0.1%	\$ 6,434	0.1%	\$ 9,529	0.1%	\$ 9,624	0.1%
Total	\$ 12,867,447	100.0%	\$ 12,867,447	100.0%	\$ 12,867,447	100.0%	\$ 12,867,447	100.0%

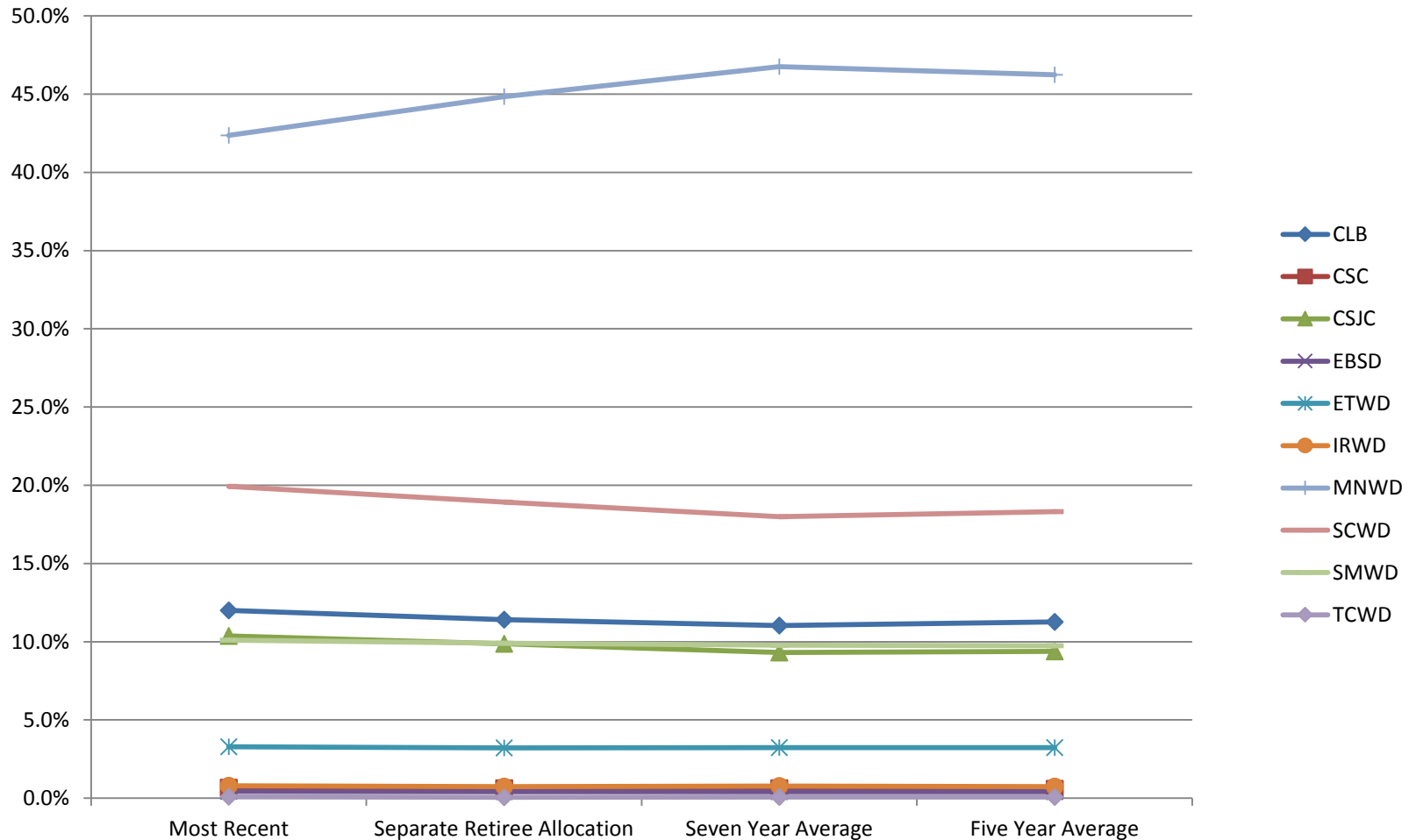
Note: Percentages derived from SOCWA provided labor cost reports (FYE2011 through FYE2017)

Net Pension Liability (NPL) Allocation

Member Agencies	Most Recent Year	Member Agency %	Separate Retiree Allocation	Member Agency %	Seven Year Average	Member Agency %	Five Year Average	Member Agency %
CLB	\$ 1,385,370	12.0%	\$ 1,317,849	11.4%	\$ 1,274,417	11.0%	\$ 1,302,290	11.3%
CSC	\$ 77,119	0.7%	\$ 73,920	0.6%	\$ 72,408	0.6%	\$ 69,109	0.6%
CSJC	\$ 1,196,784	10.4%	\$ 1,139,979	9.9%	\$ 1,074,967	9.3%	\$ 1,083,753	9.4%
EBSD	\$ 50,983	0.4%	\$ 48,510	0.4%	\$ 47,368	0.4%	\$ 48,356	0.4%
ETWD	\$ 378,862	3.3%	\$ 371,908	3.2%	\$ 372,328	3.2%	\$ 373,339	3.2%
IRWD	\$ 90,609	0.8%	\$ 85,470	0.7%	\$ 89,810	0.8%	\$ 84,899	0.7%
MNWD	\$ 4,892,409	42.4%	\$ 5,178,995	44.8%	\$ 5,400,891	46.8%	\$ 5,340,134	46.2%
SCWD	\$ 2,301,896	19.9%	\$ 2,185,249	18.9%	\$ 2,078,960	18.0%	\$ 2,114,398	18.3%
SMWD	\$ 1,165,961	10.1%	\$ 1,143,444	9.9%	\$ 1,130,243	9.8%	\$ 1,125,028	9.7%
TCWD	\$ 9,953	0.1%	\$ 5,775	0.1%	\$ 8,553	0.1%	\$ 8,639	0.1%
Total	\$ 11,549,944	100.0%	\$ 11,549,944	100.0%	\$ 11,549,944	100.0%	\$ 11,549,944	100.0%

Note: Percentages derived from SOCWA provided labor cost reports (FYE2011 through FYE2017)

Summary of Allocation Method



What to Allocate – Part 2

- Address what to do if one or more member agencies exit
 - What liability is assessed?
 - UAL, NPL, CalPERS Termination basis, Other?
 - Can liability be paid over time?
 - What future risks should be shared?
 - Remaining agencies have investment risk on amounts paid/owed
 - Option: if lump sum exit payment, increase for risk
 - Option: if paid over time, adjust with actual CalPERS earnings

Paying Down UAL

- Consider additional funding of UAL with CalPERS or Supplemental Trust
 - Minimize UAL
 - Required CalPERS contributions could double over next 10 years – additional funding mitigates increase
 - Supplemental trust can be used for budget stabilization
- Should each agency have choice to fund their allocated UAL?
 - If yes, Supplemental Trust likely more suitable

Other Notes

- Prepaying UAL contribution in July of each year saves 7% interest x $\frac{1}{2}$ year x \$500,000 UAL payment

CalPERS Termination Liability

- Prefunding “Ongoing” UAL will not eliminate termination liability upon leaving CalPERS

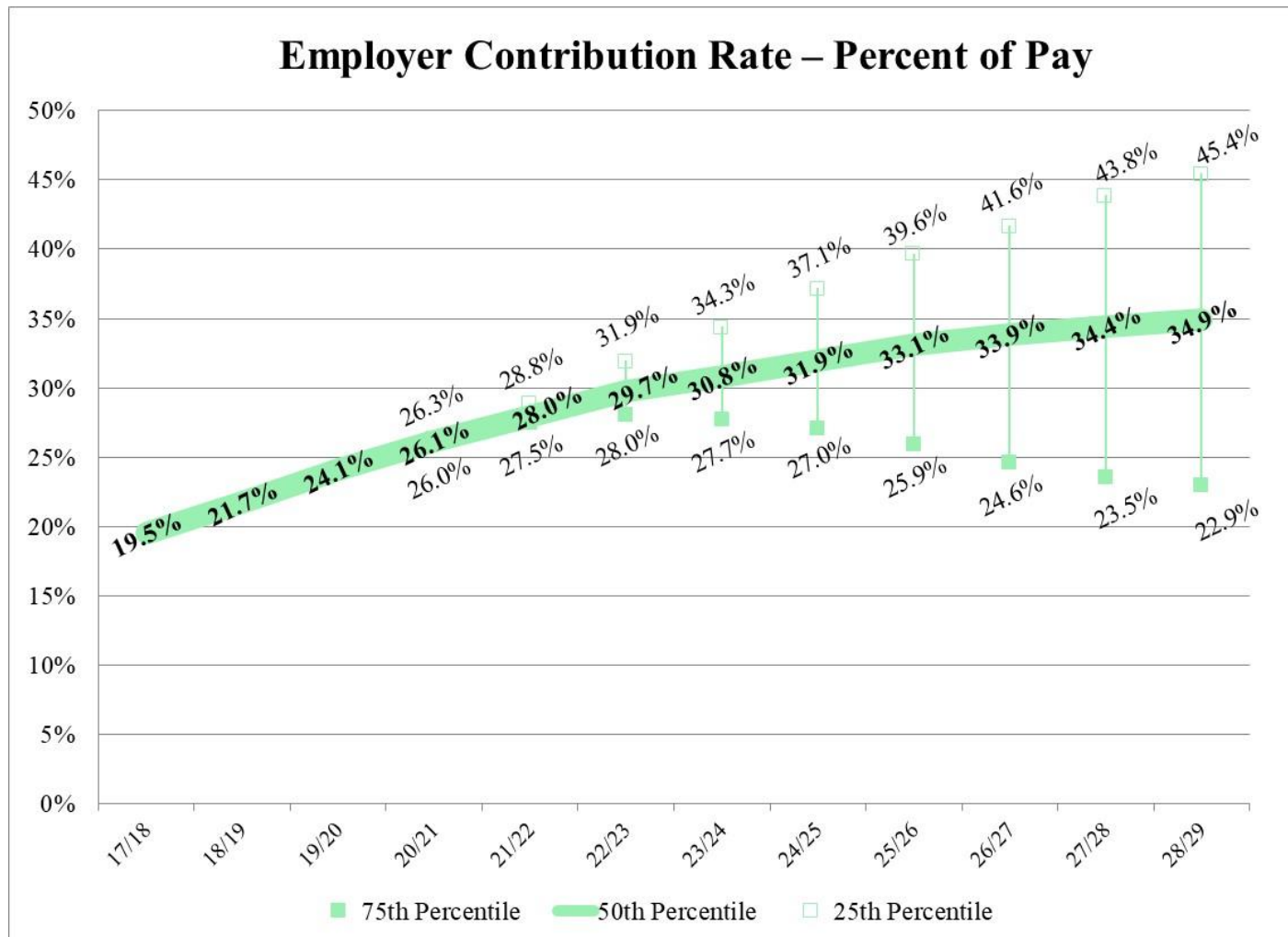
(\$Millions)

	Discount Rate		
	Ongoing (7.375%)	3%	1.75%
Actuarial Accrued Liability	\$ 46.10	\$ 79.07	\$ 92.10
Assets (Market Value)	\$ 33.23	\$ 33.23	\$ 33.23
Unfunded Liability	\$ 12.87	\$ 45.84	\$ 58.87

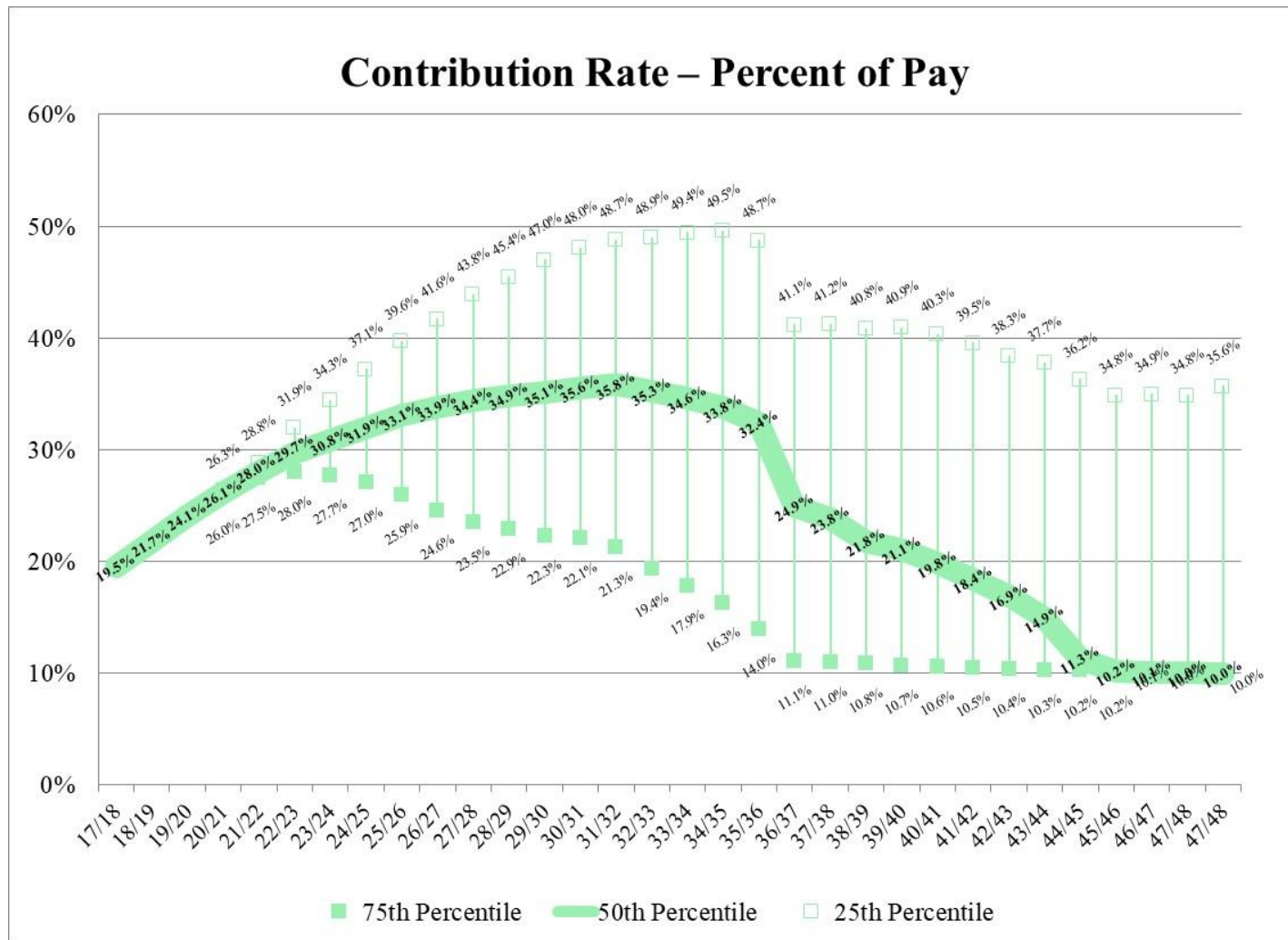
Appendix

- Following slides are “just in case” - please keep them at the very end.

CalPERS' Contribution Projections



CalPERS' Contribution Projections



Bay Area Fire Agency (OPEB)

- Tracks initial liability for employees joining
 - + interest, normal cost
 - - benefit payments, contributions
 - - reduction in liability when member agency leaves
- Member agencies get credit for pre-funding
- Two discount rates:
 - Current (7%): participate in future investment experience
 - 4%: “walk away”

Questions?

Memorandum

DATE: June 27, 2018

TO: SOCWA Board of Directors

FROM: Betty Burnett, General Manager

SUBJECT: CalPERS Special Compensation Reimbursement

In June 2017, CalPERS notified The South Orange County Wastewater Authority (SOCWA) of a Public Agency Review (PAR). As a result of the on-site review of SOCWA records, PERS identified that SOCWA needed to make adjustments to previously reported “merit bonus pay” for certain employees who received merit bonus pay above their current pay scale. This occurred in the 2013-2014 year. At the time, SOCWA was requested by employees near retirement to report pay above the pay scale (merit bonus pay) as PERSable compensation. SOCWA staff spoke with PERS and reviewed the applicable rule, which appeared to apply to merit bonus pay because all SOCWA employees are similarly situated being eligible to receive merit bonus pay above their pay scale (if they happen to be at the top of their job range and receive a positive review). The rule refers to similarly situated employees being those within the same bargaining unit and SOCWA shares one MOU with all represented employees and by policy (in the Employee Manual) applies the compensation aspects of the MOU to all other employees. Yet, in June 2017 PERS interpreted the rule to be based on classification of the employee inside of a specific job group which PERS then determined made SOCWA employees not eligible for special compensation.

In July of 2014, SOCWA reported merit bonus pay for employees, but by the next year (June of 2015) the SOCWA MOU pay ranges went up due to a range increase (1.5% COLA and 5% range increase), therefore, there were no longer any employees at the top of their range. After 2015, no merit bonus pay was reported to PERS. SOCWA has been working with PERS staff since June of 2017 to provide information to adjust the reported compensation for employees who had reported merit bonus pay in 2013-14, and recently the final PERS letters were sent with determination of refunds to SOCWA (for the employer paid portion) and the employees (for the employee paid portion actually paid by the employees). The additional consequence to six retirees is that their final retirement calculation was determined to be too high and that group received notice of overpayment of retirement compensation. The impact appears to be varied based on the application of the twelve (12) months of highest compensation earned and whether or not that period fell within the period where merit bonus pay was received. PERS may require these 6 retirees to make some amount of repayment to PERS. SOCWA did not receive specific notice of those amounts.

At this time, SOCWA needs to return to the retirees and employees the actual employee paid contributions. These amounts range between \$125 and \$475. The total overpayment returned to SOCWA (for the employer/employee shares) was \$38,000. Approximately \$13,700 may be due back to retirees and employees. SOCWA staff is reviewing prior payroll records to verify actual employee

contributions to PERS related to merit bonus pay, and refunds will be issued based on verification of payment.

SOCWA staff will be meeting with the impacted retirees and inviting a PERS representative to attend to go over the PERS reasoning for its decision. As soon as payroll records can be verified, SOCWA staff will be making the refunding payments for employee paid contributions related to merit bonus pay.

Agenda Item

8

Legal Counsel Review: N/A

Meeting Date: June 27, 2018

TO: Board of Directors

FROM: Betty Burnett, General Manager

STAFF CONTACT: Mary Carey, Finance Controller

SUBJECT: Investment Policy for Public Funds

Background

At its December 7, 2017 Board of Directors meeting, the Board approved Resolution No. 2017-09 and repealing Resolution 2007-05 bringing the Investment Policy for Public Funds current.

As directed by the Board, General Manager and Finance Controller review the policy annually to recommend any revision and staff has completed review and evaluation of the Investment Policy for Public Funds and have found no changes to be made to the policy at this time.

Recommendation Information Item; receive and file

Investment Policy For Public Funds

TABLE OF CONTENTS

- 1. Purpose of Policy**
- 2. Objective**
- 3. General Policy**
- 4. Delegation of Authority**
- 5. Ethics and Conflicts of Interests**
- 6. Authorized Financial Institutions**
- 7. Safekeeping and Custody**
- 8. Reporting Guidelines**
- 9. Policy Revisions**
- 10. Policy Approval and Adoption**

1. PURPOSE OF POLICY

This statement is intended to provide guidelines to the Agency General Manager for the prudent investment of the South Orange County Wastewater Authority's ("SOCWA") available funds, and to outline policies for the safe and prudent management of SOCWA funds without sacrificing safety or liquidity. The Finance Committee will review this Policy annually, and if advisable, will recommend changes for approval of the Board of Directors.

2. OBJECTIVE

SOCWA's cash management system is designed to accurately monitor and forecast expenditures and revenues. All funds will be invested with the intent of maximizing safety and liquidity.

3. GENERAL POLICY

SOCWA invests member agency funds deposited with SOCWA in accordance with the prudent investor standard, Government Code Section 53600.3, which states:

"When investing, reinvesting, purchasing, acquiring, exchanging, selling or managing public funds, a trustee shall act with care, skill, prudence and diligence under the circumstances then prevailing, including but not limited to the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency. Within the limitations of this section and considering individual investments as part of an overall strategy, investments may be acquired as authorized by law."

As long as the investment complies with the aforesaid standard and is allowable under current statutes of the State of California (Government Code Section 53600 et seq.), SOCWA has a range of investment opportunities.

Investments may be made in the following:

(See Attachment A-1)

The list of permitted investments under Attachment A-1 does not include all of those which are permitted under the California Government Code; rather this list includes the securities which are most appropriate to SOCWA. Specific limitations on these investments are specified.

Criteria for selecting investments and order of priority are:

- a) Safety. The Safety and risk associated with an investment refer to the potential loss of principal, interest, or a combination of these amounts. SOCWA only operates in those investments that are considered very safe.
- b) Liquidity. This refers to the ability to “cash in” at any moment in time with a minimal chance of losing some portion of principal or interest. Liquidity is an important investment quality especially when the need for unexpected funds occurs.
- c) Yield. Yield is potential dollar earnings an investment can provide, and sometimes is described as the rate of return.
- d) Safekeeping. Securities purchased from brokers/dealers shall be held in third party safekeeping by that trust department of the local agency’s bank or other designated third party trust, in local agencies name and control whenever possible.
- e) Investment objective. The cash management system of SOCWA is designed to accurately monitor and forecast expenditures and revenues, thus insuring the investment of monies to the fullest extent possible. SOCWA attempts to obtain the highest interest yields possible as long as investments meet the criteria required for safety and liquidity.
- f) Maximum Secured Investment. SOCWA may invest in Certificates of Deposit up to a maximum amount of \$250,000 per institution. SOCWA will rely on the FDIC \$250,000 insured limit to obtain security on the invested funds and will request that interest earned be paid monthly, in order to reduce the risk of loss interest.
- g) Should premature cancellation of an investment vehicle (under Attachment A-2) become necessary, the General Manager shall consult with either the Finance Committee, the Finance Committee Chairman, or the Board Chairman as time allows and determine the appropriate action to ensure the safety of SOCWA deposits. The SOCWA Finance Committee will be notified as soon as possible of the steps taken.

All member agency funds, to be invested, will be held in the California State local Agency Investment Fund (LAIF) unless the General Manager is instructed by the Finance Committee to invest in the investment vehicles listed in Attachment A-2. Staff would then present proposals to the Finance Committee, outlining the specifics of any investments to be made that meet the requirements of this policy. Upon approval, from the Finance Committee, investments will be made as soon as funds can be transferred. Any changes to investments approved by the Finance Committee will be reported to the Board of Directors at the next meeting of the Board of Directors.

4. DELEGATION OF AUTHORITY

Authority to manage SOCWA's investment program is derived from the approval of Resolution No. 2017-08 Adopting Investment Policy for+ Public Funds. Management responsibility for the program is hereby delegated to the General Manager of SOCWA who, pursuant to the approved terms under this Policy, has established investment program procedures and span of control requirements for staff. No person may engage in an investment transaction except as provided under the terms of this policy.

Broker/Dealers will be avoided whenever possible, unless specifically authorized by the Finance Committee.

5. ETHICS AND CONFLICTS OF INTERESTS

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees shall disclose to the General Manager any material financial interests in financial institutions that conduct business within the SOCWA jurisdiction, and they shall further disclose any personal financial/investment positions or interests related to the performance of the SOCWA's portfolio. Employees and officers shall subordinate their personal investment transactions to those of SOCWA, particularly with regard to the time of purchases and sales. These requirements are in addition to other conflict of interest rules that may otherwise apply.

6. AUTHORIZED FINANCIAL INSTITUTIONS

No public deposits shall be made except in a qualified public depository as established by state law. No Certificate Deposit shall be placed with any institution unless such deposit is FDIC insured.

7. SAFEKEEPING AND CUSTODY

All security transactions entered into by the SOCWA shall be conducted on a delivery-versus-payment (DVP) basis. A third-party custodian designated by the General Manager and evidenced by safekeeping receipt will hold securities.

8. REPORTING GUIDELINES

In accordance with Government Code 53646, the General Manager shall submit to the Board of Directors a monthly investment report. The report shall include a complete description of the portfolio including: the type of investments, the issuers, maturity dates, par values and the current market values of each component of the portfolio. The report will also include the source of the portfolio valuation (with the exception of LAIF). As specified in Government Code 53646(e), if all funds are placed in the State LAIF or FDIC-insured accounts, copies of the latest statements from such institutions may be provided in lieu of the foregoing report

elements. The report must also include a certification that (1) all investment actions executed since the last report have been made in full compliance with this Policy, and (2) SOCWA will meet its expenditure obligations for the next six months, or provide an explanation as to why money monies shall or may not be available. The General Manager shall maintain a complete and timely record of all investment transactions.

9. POLICY REVISIONS

This Policy will be reviewed annually by the General Manager and the Finance Controller in consultation with the Agency's legal counsel and the Finance Committee. Updates to the Attachments, A-1 and A-2 will occur whenever applicable federal, state or local regulations change or otherwise as the need arises. This Policy may only be revised by the Board of Directors.

10. POLICY APPROVAL AND ADOPTION

This Policy has been reviewed by the SOCWA Board of Director's and adopted by Resolution 2017-08 on December 7, 2017.