

**NOTICE OF SPECIAL MEETING
OF THE
SOUTH ORANGE COUNTY WASTEWATER AUTHORITY
FINANCE COMMITTEE**

**August 29, 2018
1:30 p.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 **August 29, 2018** at **1:30 p.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

August 29, 2018

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4. Approval of Minutes

- a) Finance Committee Meeting Minutes of May 24, 2018
- b) Finance Committee Meeting Minutes of May 16, 2018
- c) Finance Committee Meeting Minutes of March 30, 2018

Recommendation: Finance Committee approval of minutes as submitted.

5. Unfunded Pension Liability (UAL) Distribution by Member Agency – Results and Recommendation

Review and discuss joint recommendation from SOCWA and Actuaries.
Nyhart & Bartel Associates will be in attendance.

Recommendation:

Staff recommends that the Finance Committee recommends to the Board of Directors to approve Member Agency Distribution percentages to use for allocating the Authority's three Long Term Liabilities for FY 2015-16, FY 2016-17 and FY 2017-18.

- Pension
- Post-Retirement Health Care Benefits
- Compensated Absences

6. Update on USE-AUDIT Preparation, FY2016-17, and FY2017-18

Staff needs Member Agencies to review and approve FY 2017-18 Flows and Solids Loading percentages for distribution amongst member agencies.

Recommendation: Finance Committee discussion and staff direction

7. Distribution of FY2017-18 Legal Expenditures

Recommendation: Finance Committee discussion and staff direction

8. 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.

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 23rd day of August 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
May 24, 2018**

The Special Meeting of the South Orange County Wastewater Authority (SOCWA) Finance Committee Meeting was held on May 24, 2018 at 1:30 p.m. at their Administrative Offices located at 34156 Del Obispo Street, Dana Point, California. The following members of the Finance Committee were present:

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

Staff Present:

BETTY BURNETT	General Manager
DANITA HIRSH	Executive Assistant
MARY CAREY	Finance Controller
JIM BURROR	Director of Operations
BRIAN PECK	Director of Engineering
ANNA SUTHERLAND	Accounts Payable
DINA ASH	HR Administrator

Also Present:

BRAD NEUFELD	Varner & Brandt
DENNIS CAFFERTY	El Toro Water District
NEELY SHAHBAKHTI	El Toro Water District
PAM ARENDS-KING	South Coast Water District
ROBERT GRANTHAM	Santa Margarita Water District
TREVOR AGRELIUS	Moulton Niguel Water District
DAVE ATWATER	Moulton Niguel Water District
DAVE REBENS DORF	City of San Clemente

1. Call Meeting to Order

Chairperson Ferons called the meeting to order at 1:30 p.m.

2. Pledge of Allegiance – Director Rick Erkeneff

3. Public Comments

None

4. FY 2018/19 Budget

Ms. Burnett provided the Committee with a PowerPoint presentation on the proposed Trabuco Canyon Water Districts General Fund allocations, Administration staff clarifications and related budget assumptions.

I. General Fund – Selection of Expenses & Percentages

ACTION TAKEN

There was consensus amongst the Finance Committee to:

- a) bring the General Fund data to the Board of Directors for comments with the recommendations from the Finance Committee on adoption of the budget to include any adjustments in the Budget Assumptions on what the Finance Committee is recommending; and
- b) to proceed with production of the FY 2018-19 Budget Book removing the legal counsel cost in the amount of \$250,000 and showing it as a note in the Budget Assumptions.

II. Administration – Staffing Current and Proposed with Historical 10yr Review

ACTION TAKEN

Motion was made by Director Adjarian and seconded by Director Iseman to extend the duration of the Executive Assistant position for a duration of 2 years and re-assess 6 mos prior to the end of the term to determine what the agencies needs are.

Motion carried:	Aye 4, Nay 2, Abstained 0, Absent 0
	Director Ferons Nay
	Director Iseman Aye
	Director Erkeneff Aye
	Director Collings Nay
	Director Adjarian Aye
	Director Miller Aye

III. Budget Assumptions

ACTION TAKEN

Motion was made by Director Collings and seconded by Director Ferons to suspend funding PARS Investment of \$250,000 until such time as finalization of the Unfunded Liability Allocations.

Motion carried:	Aye 6, Nay 0, Abstained 0, Absent 0
	Director Ferons Aye
	Director Iseman Aye
	Director Erkeneff Aye
	Director Collings Aye
	Director Adjarian Aye
	Director Miller Aye

ACTION TAKEN

Motion was made by Director Collings and seconded by Director Ferons to use the recommended language as specified by the State Auditors that states "The Board acknowledges the above budget assumptions as part of the Budget preparation".

Motion carried:	Aye 4, Nay 2, Abstained 0, Absent 0
	Director Ferons Aye
	Director Iseman Nay
	Director Erkeneff Nay
	Director Collings Aye
	Director Adjarian Aye
	Director Miller Aye

For the record, Director Iseman registered a protest.

5. FY 2017-18 Budget Adjustment to the Administration Budget

ACTION TAKEN

Motion was made by Director Iseman and seconded by Director Miller to recommend to the Board of Directors to approve FY 2017-18 Budget Assumptions to the Administration Budget for:

- i. Salaries, \$30,000 addition
- ii. Management Services, \$30,000 addition

Motion carried:	Aye 6, Nay 0, Abstained 0, Absent 0
	Director Erdman Aye
	Director Grantham Aye
	Director Iseman Aye
	Director Collings Aye
	Director Adjarian Aye
	Director Miller Aye

For the record, Director Collings stated, he is in favor of the motion however, he does not support the Administration Budget concept.

6. Adjournment

There being no further business, Chairman Ferons adjourned the meeting at 3:13 p.m.

I HEREBY CERTIFY that the foregoing Minutes are a true and accurate copy of the Minutes of the Special Meeting of the South Orange County Wastewater Authority Finance Committee of May 24, 2018 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
May 16, 2018**

The Special Meeting of the South Orange County Wastewater Authority (SOCWA) Finance Committee Meeting was held on May 16, 2018 at 1:30 p.m. at their Administrative Offices located at 34156 Del Obispo Street, Dana Point, California. The following members of the Finance Committee were present:

DENNIS ERDMAN	South Coast Water District
ROBERT GRANTHAM	Santa Margarita Water District
RAY MILLER	City of San Juan Capistrano
TONI ISEMAN	City of Laguna Beach
FRED ADJARIAN	El Toro Water District

Absent:

MATT COLLINGS	Moulton Niguel Water District
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Staff Present:

BETTY BURNETT	General Manager
DANITA HIRSH	Executive Assistant
MARY CAREY	Finance Controller
JIM BURROR	Director of Operations
DINA ASH	HR Administrator
NAYDN KIM	Accounting
ANNA SUTHERLAND	Accounts Payable
KONSTANTIN SHILKOV	Sr. Accountant
JEANETTE COTINOLA	Contracts Administrator
DAVID LLOYD	IT Administrator

Also Present:

BRAD NEUFELD	Varner & Brandt
DENNIS CAFFERTY	El Toro Water District
NEELY SHAHBAKHTI	El Toro Water District
PAM ARENDS-KING	South Coast Water District
DAN FERONS	Santa Margarita Water District
TREVOR AGRELIUS	Moulton Niguel Water District
DAVE ATWATER	Moulton Niguel Water District

1. Call Meeting to Order

Chairperson Erdman called the meeting to order at 1:31 p.m.

2. Pledge of Allegiance – Director Ray Miller

Ms. Burnett stated to Chairperson Erdman and the Committee Members, that the consultants who would be speaking on agenda item 10 – SOCWA 457b Plan Improvements, are expected to arrive at approximately 2:30pm. She stated that Director Collings would not be attending the meeting; however, Drew Atwater of MNWD was present and Trevor Agrelius of MNWD would be attending

shortly. Ms. Burnett also stated she had received email comments from Director Collings regarding the items on the agenda which she would share with the Committee as permitted.

3. Public Comments

None

4. Approval of Minutes

Chairperson Erdman stated that the March 7, 2018 minutes were not an official meeting due to lack of a quorum, therefore the minutes would be received and filed only should the mover of the motion agreed.

ACTION TAKEN

Motion was made by Director Adjarian and seconded by Director Miller to approve the Finance Committee Minutes of February 26, 2018 and March 21, 2018 as submitted and to receive and file the unofficial minutes of March 7, 2018, the same being unofficial due the lack of a quorum.

Motion carried:	Aye 5, Nay 0, Abstained 0, Absent 1
Director Erdman	Aye
Director Grantham	Aye
Director Iseman	Aye
Director Collings	Absent
Director Adjarian	Aye
Director Miller	Aye

5. Financial Matters for Month of March 2018

Ms. Carey gave a brief overview highlighting certain items in the financial disbursements and schedules. An open discussion ensued.

ACTION TAKEN

Motion was made by Director Iseman and seconded by Director Grantham that the Finance Committee recommend to the Board of Directors to approve the summary of disbursements and receive and file the remaining reports at the June 7, 2018 Board meeting.

Motion carried:	Aye 5, Nay 0, Abstained 0, Absent 1
Director Erdman	Aye
Director Grantham	Aye
Director Iseman	Aye
Director Collings	Absent
Director Adjarian	Aye
Director Miller	Aye

6. 2016-17 Cash Roll Forward

Ms. Carey gave a presentation on the FY2016-17 Cash Roll Forward by Member Agency, Project Committee and Capital Project. An open discussion ensued.

The Finance Committee noted that the Engineering Committee should review the retained cash for capital and staff will agendize for the Engineering Committees review with the completion of FY 2017-18 Cash Roll Forward (Use-Audit).

7. PARS OPEB Investment Program

Ms. Burnett and Ms. Carey gave a presentation overview on the PARS OPEB Investment Program and the OPEB Actuarial Results. An open discussion ensued

No action taken; Information item.

8. PERS UAL Methods to Address Cost Distribution RA

Ms. Burnett and Ms. Carey gave a presentation overview on the PERS UAL distribution options. An open discussion ensued

No action taken; Information Item.

9. UAL Distribution by Member Agency – Method Update

Ms. Burnett and Ms. Carey gave a presentation overview on the UAL distribution update. An open discussion ensued.

ACTION TAKEN

There was concurrence amongst the Finance Committee Members to invite the Actuarial consultants to a Finance Committee Meeting to present their data on the Unfunded Liability model.

Director Iseman exited at 2:56 p.m.

Director Iseman return at 2:59 p.m.

10. SOCWA 457b Plan Improvements

Ms. Burnett introduced Sherrie Boutwell of Boutwell Fay LLP, and Tom Wolfson Managing Director of Investments from Wells Fargo. Ms. Burnett stated Sherrie and Tom would be updating the Committee on SOCWA's 457b fiduciary requirements and documentation. Mr. Wolfson would be addressing current market assessments and discussing an updated approach. Ms. Burnett further proposed forming an Adhoc Committee comprised of staff and 1 or 2 Committee Members who would work on updating the plan and work on service agreements for getting improved service to the plan participants. An open discussion ensued.

Director Adjarian and Director Grantham will participate on the committee for review of proposed agreements and thereafter, staff will make up the committee.

No Action taken; Information Item.

Director Adjarian exited at 2:59 p.m.

Director Adjarian returned at 3:30 p.m.

11. General Manager's Report

Ms. Burnett provided the committee with a presentation overview of the impacts of the Trabuco Canyon Water Districts proposed General Fund distribution structure, the Administration staff and budget assumptions. An open discussion ensued.

Director Iseman exited at 3:30 p.m.

No action taken; information item.

12. Budget Assumptions to FY 2017-18 Administration Budget

This agenda item would be carried over to the next scheduled Finance Committee meeting.

13. Adjournment

There being no further business, Chairman Erdman adjourned the meeting at 3:40 p.m.

I HEREBY CERTIFY that the foregoing Minutes are a true and accurate copy of the Minutes of the Special Meeting of the South Orange County Wastewater Authority Finance Committee of May 16, 2018 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
March 30, 2018**

The Special Meeting of the South Orange County Wastewater Authority (SOCWA) Finance Committee Meeting was held on March 30, 2018 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
DAN FERONS	Santa Margarita Water District
RAY MILLER	City of San Juan Capistrano
TONI ISEMAN	City of Laguna Beach
FRED ADJARIAN	El Toro Water District
MATT COLLINGS	Moulton Niguel Water District

Staff Present:

BETTY BURNETT	General Manager
TERI NOSON	Clerk of the Board
BRAD NEUFELD	Varner & Brandt
MARY CAREY	Finance Controller
JIM BURROR	Director of Operations
BRIAN PECK	Director of Engineering
AMBER BAYLOR	Director of Environmental Compliance
NAYDN KIM	Accounting
ANNA SUTHERLAND	Accounts Payable
JEANETTE COTINOLA	Contracts Administrator

Also Present:

DENNIS CAFFERTY	El Toro Water District
ROBB GRANTHAM	Santa Margarita Water District
TREVOR AGRELIUS	Moulton Niguel Water District
DAVE ATWATER	Moulton Niguel Water District
DAVE REBENDORF	City of San Clemente
RICK SHINTAKU	South Coast Water District
JAKE VOLLEBREGT	Moulton Niguel Water District

1. Call Meeting to Order

Chairperson Erdman called the meeting to order at 8:30 a.m.

2. Pledge of Allegiance – Jim Burror

3. Public Comments

None

Chairperson Erdman stated that Director Adjarian would be leaving the meeting early and therefore, the agenda items would be taken out of order by first addressing items 4, 6, 7, 10i, and then returning to the items that were skipped.

4. Approval of Minutes

Director Collings noted the February 13 Minutes still had “Baylor” spelled incorrectly. He also noted the December 6 Meeting Minutes on page 2 of 3, that item 5 talked about FY2015-16 Audited Financial Statements Supplemental Schedules but the comment referred to the Investment policy.

Ms. Burnett stated the correction would be made to the February 13, 2018 Minutes as noted and the December 6, 2017 Minutes would be corrected and brought back to the next Finance Committee Meeting.

Adequately

ACTION TAKEN

Motion was made by Director Adjarian and seconded by Director Collings to approve the Finance Committee Minutes of February 13, 2018 with the correction of the spelling of Amber Baylor’s last name, Minutes of December 11, 2017 and Minutes of December 21, 2017 as submitted.

Motion carried:	Aye 6, Nay 0, Abstained 0, Absent 0
	Director Erdman Aye
	Director Ferons Aye
	Director Iseman Aye
	Director Collings Aye
	Director Adjarian Aye
	Director Miller Aye

6. Financial Matters for Month of February 2018

Ms. Burnett reminded the Committee Members that the Financials were distributed at the March 21, 2018 meeting and due to lack of time, were unable to be considered for approval and that the Committee was to refer to the Financials from the prior meeting. She then asked the Committee direction on how they would like to proceed. An open discussion ensued.

ACTION TAKEN

There was concurrence amongst the Finance Committee Members to bring the February 2018 Financials back to the next Finance Committee Meeting.

7. IRWD Requested to Withdraw from PC 12 (formerly PC2-SO)

Ms. Burnett reminded the Finance Committee Members that the letter from IRWD was also distributed on March 21, 2018. She stated it’s the basically the same request received from EL Toro Water District. She explained that Region 8 is under agreement to administer the recycle water order for Region 9 as well as itself which means IRWD does not need to have membership in PC-12 and that working on new agreements and documentation would be one of the assignments of the new General Counsel once onboard. Open discussion ensued.

ACTION TAKEN

Motion was made by Director Adjarian and seconded by Director Ferons to recommend the Board of Directors to accept IRWD's letter of withdrawal from PC 12 (formerly PC2-SO) with the included provisions of the Unfunded Liability to be addressed as further determined.

Motion carried:	Aye 6, Nay 0, Abstained 0, Absent 0
	Director Erdman Aye
	Director Ferons Aye
	Director Iseman Aye
	Director Collings Aye
	Director Adjarian Aye
	Director Miller Aye

10. General Manager Comments on Open Items

10i. State Audit Results

Ms. Burnett provided the Committee with an overview of the work staff had done in preparation for the State Audit. She specified two areas of focus as 1) identifying which invoices were sent to member agencies and what payments were received; and 2) going back and tracking information to verify what expenditures for what projects was available. Ms. Carey provided the Committee with a presentation of the Member Agency Cash through March 30, 2018 and the State Audit results. An open discussion ensued.

ACTION TAKEN

There was concurrence amongst the Finance Committee Members to present reports to the Board of Directors at it's April 5, 2018 meeting as an Information Item only.

5. FY18-19 Draft Annual Operating Expenses and Capital Budget

Ms. Burnett stated the items that were previously provided to the Finance Committee Members at its March 21, 2018 meeting. Ms. Burnett gave a presentation on the Administrative Costs as previously requested by the Committee. An open discussion ensued.

Director Adjarian exited the meeting at 9:48 a.m.

Chairperson Erdman recessed the meeting at 9:50 a.m.

Chairperson Erdman reconvened the meeting at 10:02 a.m.

ACTION TAKEN

The Finance Committee Members directed staff to provide further clarification on the breakdown of the costs of adding the Administrative position full-time and training and conferences at the next Finance Committee Meeting.

Adjournment

There being no further business, Chairman Erdman adjourned the meeting at 11:00 a.m.

I HEREBY CERTIFY that the foregoing Minutes are a true and accurate copy of the Minutes of the Special Meeting of the South Orange County Wastewater Authority Finance Committee of March 30, 2018 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

DRAFT

Agenda Item

5

Finance Committee Meeting

Meeting Date: August 29, 2018

TO: Board of Directors

FROM: Betty Burnett, General Manager

STAFF CONTACT: Mary Carey, Finance Controller

SUBJECT: Unfunded Pension Liability (UAL) Distribution by Member Agencies Results and Recommendation

Summary

Staff met with the Finance Committee on August 10, 2018 and also attending were Nyhart and Bartel Associates Actuaries to preview information and options for distributing long term liabilities. The Finance Committee directed the staff to have a similar discussion with Member Agencies Finance Officers.

Nyhart and Bartel Associates Actuaries presented the Long-Term Liabilities Allocation Methodology Study to Member Agencies Finance Officers on August 15, 2018.

Attendees at the meeting were:

- Neely Shahbakhti, El Toro Water District
- Pamela Arends-King, South Coast Water District
- Trevor Agrelius, Moulton Niguel Water District
- Gavin Curran, City of Laguna Beach

Discussions included:

1. Formal Presentation on the Methodology, Results and Recommendation
2. Long Term Liabilities by Project Committee and Member Agency (Mary Carey)
3. Liabilities should be distributed by project committee and member agency in the same manner as the benefit was earned
4. Limited information at the employee level available from CalPERS
5. AWMA, SERRA and SOCRA historical records, contracted services rather than full time employees and record retention gaps (Jim Burror)
6. AWMA contracted with CalPERS in 1978
7. SERRA contracted with CalPERS in 1983
8. SOCRA never contracted with CalPERS, the agency was created for joint permitting
9. GASB 75 implementation 6/30/2018; the estimated net liability in presentation is \$6.6 million based on a 6% discount rate, however, the discount rate will be increased to 7% (based on PARS performance reports) and the actual net liability will be approximately \$5.3 million. The total OPEB liability is \$10.1 million and is 48% funded via a PARS trust fund

Information Request from Moulton Niguel:

1. FY 1990-91 Use Audit that was used for the Long-Term Liabilities Distribution Study
2. The oldest records of AWMA, SERRA and SOCRA (SOCRA 1999-2000, no labor) that we could find:
 - SERRA Audit FY 1984-85
 - RTP Use Audit FY 1982-1983
 - AWMA Use Audit FY 1984-85
 - AWMA Use Audit FY 1990-91
 - SERRA Reconciliations FY 1990-91
 - SOCRA Use Audit FY 1999-00

The above records were sent to Moulton Niguel on August 16, 2018.:

Member Agencies Finance Officers Recommendation:

- All of the four Finance Officers in attendance at the August 15th meeting felt the approach was reasonable and the work was well done.
- MNWD will continue to review historical SOCWA's predecessor's records and conduct some analytics. SOCWA staff has received no additional input from MNWD staff as of the posting of the agenda.
- Three of the four Finance Officers in attendance recommended that the Authority should move forward with the joint SOCWA and Actuaries recommended approach.

The joint SOCWA and Actuaries recommended approach:

**Recommended Allocation Percentages for Net Pension and Retiree Health
 SOCWA's Inception to Date Labor Data, FY's 2001-02 to 2016-17
 (16 years)**

	Avg. Labor\$ 2002-2017	Allocation Percent
CLB	\$ 432	10.62%
CSC	27	0.67%
CSJC	420	10.33%
EBSD	19	0.46%
ETWD	145	3.57%
IRWD	31	0.77%
MNWD	1,842	45.27%
SCWD	747	18.36%
SMWD	404	9.93%
TCWD	0	0.01%
Total	4,068	100%

**Recommended Allocation Percentages for Compensated Absences
 Based on 3 years Labor Data, FY's 2014-15 to 2016-17**

	Comp. Absences \$ 6/30/2018	%
CLB	\$ 57	11.47%
CSC	3	0.58%
CSJC	51	10.23%
EBSD	2	0.44%
ETWD	17	3.48%
IRWD	4	0.72%
MNWD	225	45.16%
SCWD	92	18.46%
SMWD	47	9.40%
TCWD	0	0.05%
Total	498	100%

Actuaries and SOCWA Joint Recommendation

Grand Total by Project Committes and Member Agency											
Net Pension, Retiree Health and Compensated Absences Liabilities (\$'s)											
City of Laguna Beach	City of San Clemente	City of San Juan Capistrano	El Toro Water District	Emerald Bay Service District	Irvine Ranch Water District	Moulton Niguel Water District	Santa Margarita Water District	South Coast Water District	Trabuco Canyon Water District	Total	
Net Pension Liability											
PC 2 - Jay B. Latham Plant	-	-	1,802,989	-	-	-	972,875	1,238,878	1,407,965	-	5,422,708
PC 3A	-	-	-	-	-	-	1,888,896	368,160	-	-	2,257,056
PC 5 - San Juan Creek Ocean Outfall	-	73,774	69,407	-	-	-	48,941	132,438	47,648	-	372,208
PC 8 - Pretreatment Program	39,066	50,702	52,802	31,658	2,653	53,452	112,543	105,178	84,621	-	532,675
PC 12 SO- Water Reclamation Permits	-	-	1,187	1,112	-	1,542	5,187	3,854	1,572	1,551	16,006
PC 15 - Coastal Treatment Plant/AWT	1,477,918	-	-	-	65,464	-	179,722	-	1,566,558	-	3,289,663
PC 17 - Joint Regional	401,497	-	-	529,005	15,689	-	5,142,037	-	283,193	-	6,371,421
PC 21 Effluent Transmission Main	-	-	-	-	-	-	-	-	-	-	-
PC 24 - Alico Creek Ocean Outfall	55,943	-	-	105,654	2,160	87,726	114,088	-	20,795	-	386,367
Total Retiree Health Liability by Project Committee and Member Agency	1,974,424	124,476	1,926,385	667,430	85,966	142,721	8,464,291	1,848,508	3,412,351	1,551	18,648,104
Grand Total by Project Committes and Member Agency											
Net Pension, Retiree Health and Compensated Absences Liabilities (% 's)											
City of Laguna Beach	City of San Clemente	City of San Juan Capistrano	El Toro Water District	Emerald Bay Service District	Irvine Ranch Water District	Moulton Niguel Water District	Santa Margarita Water District	South Coast Water District	Trabuco Canyon Water District	Total	
Member Agency Distribution by PC %											
PC 2 - Jay B. Latham Plant			33.2%				17.9%	22.8%	26.0%	100.0%	
PC 3A							83.7%	16.3%		100.0%	
PC 5 - San Juan Creek Ocean Outfall		19.8%	18.6%				13.1%	35.6%	12.8%	100.0%	
PC 8 - Pretreatment Program	7.3%	9.5%	9.9%	5.9%	0.5%	10.0%	21.1%	19.7%	15.9%	100.0%	
PC 12 SO- Water Reclamation Permits			7.4%	6.9%	0.0%	9.6%	32.4%	24.1%	9.8%	100.0%	
PC 15 - Coastal Treatment Plant/AWT	44.9%				2.0%		5.5%		47.6%	100.0%	
PC 17 - Joint Regional	6.3%			8.3%	0.2%		80.7%		4.4%	100.0%	
PC 21 Effluent Transmission Main										0.0%	
PC 24 - Alico Creek Ocean Outfall	14.5%			27.3%	0.6%	22.7%	29.5%		5.4%	100.0%	
Retiree Health Liability by Member Agency	10.6%	0.7%	10.3%	3.6%	0.5%	0.8%	45.4%	9.9%	18.3%	100.0%	

Recommendation Action: SOCWA staff is recommending that the Finance committee recommends to the Board of Directors to accept the following allocation instructions:

Approve Member Agencies Distribution percentages to use for allocating the Authority's three Long Term Liabilities for FY's 2015-16, 2016-17 and 2017-18:

- Pension
- Post-Retirement Health Care Benefits
- Compensated Absences

Timing

- Net Pension Liability reported at 6/30/18
 - Based on assets and actuarial liabilities through 6/30/17
 - Allocated on labor costs through 6/30/17
- Net Pension Liability reported at 6/30/17
 - Based on assets and actuarial liabilities through 6/30/17
 - Allocated on labor costs through 6/30/16
- Changes in each agency's allocation will be due to:
 - Change in average proportion
 - Changes in net pension liability
- Similar timing for OPEB
- Compensated absences
 - 6/30/17 reporting should use averages through 2018 if available

Future Application

- Recommendation intended to be simple to replicate in future years
 - For 6/30/2019, the 2018 labor costs will be appended to existing data and included in new average
 - Allocation percentages should move gradually and reasonable predictably over time
 - Compensated Absence average would continue to be three years, with the most recent year's labor data replacing the labor data from three year's prior in the average

Agenda Item_(revised)

6

Finance Committee Meeting

Meeting Date: August 29, 2018

TO: Board of Directors

FROM: Betty Burnett, General Manager

STAFF CONTACT: Amber Baylor, Director of Environmental Compliance

SUBJECT: Update on USE-Audit Preparation, FY2016-17 and FY 2017-18

Summary

The Use Audit flow allocation methodology has relied on historical practice for allocation of costs. The flow allocation does not have a written standard operating procedure that ensures the integrity of the data through each use audit. The intent of this agenda item is to review the historical methodology per project committee (PC). SOCWA staff requests that each project committee approve the historical methodology utilized for the Use Audit for FY 17-18 or provide an alternative agreed upon approved methodology at the Finance Committee, so staff can update the procedure and calculations to provide all flow and solids usage to the Finance Committee to complete the Use Audit for FY 17-18.

Proposed Standard Procedure

On July 20, 2018 Member Agencies were provided with daily flow and loading data organized by each project committee. This data represented the 'raw data'. The raw data is data is stored in the Water Information Management System (WIMS) database. The raw data is reviewed on a daily and monthly basis for incongruencies or data quality issues. The WIMS database has an auditing feature that allows each data point to be tracked by user, date, and time entered or changed in the database. The WIMS database has a tiered user privilege system that ensures data integrity. Inclusion of variables and data type included here memorializes where the data is in the database for consistency and transparency when accounting for flows at the end of the FY. The goal is to send out the compiled raw flow data at the end of each FY annually by the 20th of the July after the close of the FY with comments or questions due by the 20th of the month in August after the close of the FY. This process will ensure timely use audits and audits of the financials for SOCWA.

PC2 Variables Used & Methodology Distribution

Variables used:

Variable Number	10545	10540	10064	10535	10394	10533	10541	10543	10546	10548	10159	10304	10636	10638
WIMS Variable Name	PC2 JBL\JBL Plant\JBL Pretreatment San Juan Flow	PC2 JBL\JBL Plant\JBL Pretreatment Oso-Trabuco Flow	PC2 JBL\Influent SCWD DP FLOW	PC2 JBL\JBL Plant\JBL Pretreatment SCWD Victoria Flow	PC05 SJCOO\3A Treatment Plant\3A Influent 3A	PC2 JBL\Influent *JBL Influent and Effluent Flow*	PC2 JBL\JBL Plant\JBL Pretreatment OSO-Trabuco TSS	PC2 JBL\JBL Plant\JBL Pretreatment Oso-Trabuco BOD	PC2 JBL\JBL Plant\JBL Pretreatment SAN JUAN TSS	PC2 JBL\JBL Plant\JBL Pretreatment San Juan BOD	PC2 JBL\Influent DANA POINT TSS	PC2 JBL\Influent JBL Plant 2 Influent BOD (DANA POINT)	PC05 SJCOO\3A Treatment Plant\3A Influent TSS	PC05 SJCOO\3A Treatment Plant\3A Influent BOD
Data Type	FY 17-18 Flow (MGD)	FY 17-18 Flow (MGD)	FY 17-18 Flow (MGD)	FY 17-18 Flow (MGD)	FY 17-18 Flow (MGD)	FY 17-18 Flow (MGD)	3Y FY Average Loading (mg/L)	3Y FY Average Loading (mg/L)	3Y FY Average Loading (mg/L)	3Y FY Average Loading (mg/L)	3Y FY Average Loading (mg/L)	3Y FY Average Loading (mg/L)	3Y FY Average Loading (mg/L)	3Y FY Average Loading (mg/L)

Allocation methodology:

Flow meters are calibrated on an annual basis and should be within 10% of the flow. JBL Effluent flow meter average flow was 6.24 MGD compared to the combined summary of 6.06 MGD which was within the meter specifications. Member agency average flows for the FY were used in the flow allocation and applied proportionally from the total combined flow from each tributary trunk line. The PC2 use audit uses FY flows and three-year FY average solid loadings to reconcile the budgeted amounts. Solids loadings are calculated from adding the average FY BOD and TSS and dividing by 2 and then multiplying the result by the flow and the 8.34 pounds conversion factor. In March 2018, PC2 members MNWD & SMWD came to an agreement on how to allocate solids for budgeting and use audit purposes. The new method captures the influent loading at Plant 3A as it was recognized that this allocation would isolate MNWD's solids contributions to JBL to a single variable. SMWD solids to JBL would then be the balance of solids contributed by the Oso Creek Water Reclamation Plant, 3A and any other discharges to the Oso Trabuco line to JBL.

PC2 Allocation Table:

Member Agency	FY17/18 Flow To Date	Total Percent To Date	Total 3Y FY Avg. Loadings To Date	Total Percent To Date
CSJC	2.166	35.73%	5,815	23.54%
MNWD	1.400	23.09%	5,124	20.74%
SCWD	1.779	29.35%	4,777	19.33%
SMWD	0.718	11.84%	8,992	36.39%
	6.064	100.00%	24,708	100.00%

PC5 Variables Used & Methodology Distribution

Variables Used:

Variable Number	10540	10335	10064	10603	10960	10342	10341	11105	10529
WIMS Variable Name	PC2 JBL\JBL Plant\JBL Pretreatment Oso-Trabuco Flow	PC05 SJCOO\3A Treatment Plant\3A Effluent Flow	PC2 JBL\Influent SCWD DP FLOW	PC2 JBL\Influent SCWD JBL Flow	PC05 SJCOO\SCWD GRF\SCWD SCWD Desalter M-001F Flow	PC05 SJCOO\SMWD\SMWD Effluent SMWD Effluent Flow	PC05 SJCOO\City of San Clemente\CSC Effluent CSC Effluent Flow	PC05 SJCOO\City of San Clemente\CSC M02 CSC M02 Treated Urban Runoff Flow	PC05 SJCOO\SJCOO_Area\SJCOO NPDES Monitoring SJCOO OUTFALL FLOW
Data Type	MGD	MGD	MGD	MGD	MGD	MGD	MGD	MGD	MGD

Allocation Methodology:

PC5 is based on flows only. Each member agency has input to the San Juan Creek Outfall which is summed based on the flows contributed where applicable. The City of San Clemente is solely the flow from the San Clemente Land Outfall line. San Juan Capistrano is the sum of the brine from the groundwater facility and the flow contribution to JBL. MNWD is the sum of the effluent flow from 3A and the standing flow contribution factor of 1.4MGD. SCWD is the sum of the ground water replenishment brine flow and the combined sewer flow into JBL. SMWD is the sum of the remaining flow in the Oso Trabuco trunkline minus the MNWD 1.4MGD flow and the contribution from the Chiquita Water Reclamation Plant (Chiquita Land Outfall).

PC5 Allocation Table:

PC 5 FY 17/18 Actual Flows		
Member Agency	Outfall Flows MGD	Outfall Flows Percent
CSC	2.531	23.11
CSJC	2.590	23.65
MNWD	2.010	18.35
SCWD	2.270	20.73
SMWD	1.550	14.15
Totals	10.951	100.00

PC12 Variables Used & Methodology Distribution

Variables Used:

Variable Number	40970	40971	70807	40962	40966	40968	40969	40964	40963	40965	40961
WIMS Variable Name	Recycle\CSJC CSC Mission Street Well Acre Feet	Recycle\CSJC Rosenbaum Well	Recycle\CSJC intertie	Recycle\ETWD ETWD Recycled Water AF/Day	Recycle\RTP AWT #2 RTP #2 Recycled Water - AF/day	Recycle\3A WRP 3A Recycled Water - AF/Day	Recycle\CTP WRP CTP Recycled Water - AF/day	Recycle\SMWD - OSO WRP OCWRP Recycled Water - AF/Day	Recycle\SMWD - Chiquita WRP CWRP Recycled Water - AF/day	Recycle\SMWD - Nichols WRP NWRP Recycled Water - AF/day	Recycle\TCWD - RRWRP TCWD Recycled Water Acre - Ft
Data Type	AF/day	AF/day	AF/day	AF/day	AF/day	AF/day	AF/day	AF/day	AF/day	AF/day	AF/day

Allocation Methodology:

PC12 is based on application of recycled water by each member agency. San Juan Capistrano it is the acre-foot sum of the Rosebaum well, the Mission Street Well, and the total reclaimed water from the SMWD/CSJC intertie. The El Toro Water District (ETWD) is the total acre feet of reclaimed water produced from the Water Reclamation Plant in the Region 9 service area. Irvine Ranch Water District (IRWD) is the amount of reclaimed water produced from the Los Alisos Water Reclamation Plant (LAWRP) distributed into the Region 9 service area. For the Moulton Niguel Water District (MNWD) it is the amount of reclaimed water produced from the Regional Treatment Plant (RTP) and the 3A Treatment Plant. South Coast Water District (SCWD) is the total reclaimed water produced from the Coastal Treatment Plant (CTP). The Santa Margarita Water District (SMWD) is the combined sum of reclaimed water produced from the Oso Creek Water Reclamation Plant (OCWRP), the Chiquita Water Reclamation Plant (CWRP), and the Nichols Water Reclamation Plant (NWRP). The Trabuco Canyon Water District (TCWD) is reclaimed water produced from the Robinson Ranch Water Reclamation Plant (RRWRP).

ETWD and IRWD have formally requested out of PC12 but are still under the PC12 Master Reclamation Permit of which SOCWA has been reporting to the RWQCB and are therefore included in the use audit for the FY 17-18. PC12 sums each agency's production of reclaimed water and allocates a proportional amount based on the total acre feet produced in Region 9.

PC12 Allocation Table:

PC 12 Recycled Water		
FY 17-18		
Member Agency	Region 9 Recycled Use FY 17/18 acft	% RW Use FY 17/18 %
CSJC	760	4.01
ETWD	1505	7.93
IRWD	1233	6.50
MNWD	7726	40.70
SCWD	781	4.12
SMWD	6469	34.08
TCWD	509	2.68
Total	18984	100

PC15 Variables Used & Methodology Distribution

Variables Used:

Variable Number	20002	20003	20001
WIMS Variable Name	PC15 CTP\Influent CLB INF FLOW	PC15 CTP\Effluent EBSD EFF FLOW	PC15 CTP\Effluent SCWD Billing Flow
Data Type	MGD	MGD	MGD

Allocation Methodology:

Due to the lack of solids handling capacity at the Coastal Treatment Plant (CTP), allocation methodology is based on flows to the treatment plant. In addition, there is no current flow meters installed to account for any flow sent to CTP from MNWD so no flow is being accounted for in this PC flow allocation methodology. The City of Laguna Beach (CLB) is the average annual flow into CTP (metered). The Emerald Bay Services District (EBSD) is the average annual flow into CTP (calculated from monthly meter read from the lift station divided by the days in the month). The South Coast Water District (SCWD) is the average annual flow into CTP (metered).

PC15 Allocation Table:

PC 15 FY 17/18 Actual Flows		
Member Agency	Plant Flows MGD	Plant Flow Percent
CLB	1.596	57.73
EBSD	0.049	1.78
SCWD	1.120	40.49
MNWD	0.000	0.0
Total	2.765	100.00

PC17 Variables Used & Methodology Distribution

Variables Used:

Variable Number	1	1613	9	445	15192	15191	15193	15194	15144	2022
WIMS Variable Name	PC17 RTP\Influent Influent	PC17 RTP\Solids CTP EXPORT SLUDGE	PC17 RTP\Centrifuge Centrate Flow	PC17 RTP\Biosolids 503 Average Sludge Cake %	PC2 JBL\Operations Agenda Report\RTP Operation Agenda CTP Monthly Total CLB Lbs	PC2 JBL\Operations Agenda Report\RTP Operation Agenda CTP Monthly Total EBSD Lbs	PC2 JBL\Operations Agenda Report\RTP Operation Agenda CTP Monthly Total SCWD Lbs	PC2 JBL\Operations Agenda Report\RTP Operation Agenda CTP Monthly Total MNWD Lbs	PC2 JBL\Operations Agenda Report\RTP Operation Agenda RTP Monthly Total Solids	PC17 RTP\Biosolids Management Site ETWD Total Monthly Solids
Data Type	MGD	gal	gal	%	LBS	LBS	LBS	LBS	LBS	LBS

Allocation Methodology:

PC17 has liquid and solids contribution. The liquid flow allocation is based on influent flow to the plant. The influent flow is solely contributed by the MNWD. Due to liquid flow from CTP, the centrate flow is divided by 5 and distributed to each agency then summed to create a total liquid flow to the RTP. The flows are then distributed on a proportional basis. The solids contribution is based on the total daily average pounds contributed by each agency distributed proportionally.

PC17 Allocation Tables:

PC 17 Liquids FY 17-18				
Member Agency	Plant Flow (MGD)	Centrate Flow (MGD)	Total Flow (MGD)	Liquid Flow (%)
CLB	0	0.01763	0.0619	0.7878
EBSD	0	0.01763	0.00191	0.0243
SCWD	0	0.01763	0.04341	0.5525
ETWD	0	0.01763	0.02029	0.2583
MNWD	7.71216	0.01763	7.7298	98.3771
Total	7.71216	0.08816	7.85731	100.0000

PC 17 Solids FY 17-18		
Member Agency	FY 2017/18 #/Day	FY 2017/18 %
CLB	6368	16.06
ETWD	5909	14.90
EBSD	196	0.50
MNWD	23024	58.06
SCWD	4157	10.48
Total	39654.9263	100.00

PC24 Variables Used & Methodology Distribution

Variables Used:

Variable Number	30080	30023	30004	30063	30695	30696	30043	31131
WIMS Variable Name	PC24 ACOO\O UTFALL\ Outfall NPDES ACOO FLOW	PC24 ACOO\S OCWA RTP\RT P Effluent RTP Effluent Flow	PC24 ACOO\S OCWA CTP\CTP Effluent CTP Effluent Flow	PC24 ACOO\IR WD\IRW D LAWRP Effluent LAWRP Effluent Flow	PC24 ACOO\IR WD\IRW D IDP- PTP IRWD IDP-PTP Flow	PC24 ACOO\IR WD\IRW D IDP- SGU IRWD IDP-SGU Flow	PC24 ACOO\E TWD WRP\ET WD ACWRF SCWD ACWRF Flow	PC24 ACOO\S CWD\SC WD ACWRF SCWD ACWRF Flow
Data Type	MGD	MGD	MGD	MGD	MGD	MGD	MGD	MGD

Allocation Methodology:

PC24 is based on average daily flow from each member agency in the PC. The combined average flow from the ACOO was 9.12MGD while the summed average from the methodology below was 9.11 MGD which is within the 10% accuracy limit. Laguna Beach is based on average annual influent flow multiplied by the agency percent ownership in CTP (71.25%). EBSD is based on the average influent flow multiplied by the percent ownership in CTP (2%). ETWD is based on the average annual effluent discharged into the effluent transmission main from the WRP. IRWD is based on the sum of the average annual effluent discharged into the effluent transmission main from the LAWRP, the average annual effluent brine discharge from the shallow groundwater unit (SGU), and the average annual effluent brine discharge from the Irvine Desalter Project (IDP). MNWD is the average annual effluent from RTP. The SCWD is the average annual effluent flow multiplied by the percent ownership in CTP (26.39%) plus the average annual effluent brine discharged from the Aliso Creek Water Harvesting Plant (ACWHP).

PC24 Allocation Table:

PC 24 FY 17/18 Actual Flows		
Member Agency	Flow (MGD)	Cost (%)
CLB	1.70	18.70
EBS	0.05	0.52
ETWD	2.29	25.17
IRWD	2.10	23.08
MNWD	2.28	25.03
SCWD	0.68	7.49
Total	9.11	100.00

Recommendation: Finance Committee discussion and staff direction