

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

**February 19, 2019
8:30 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 **February 19, 2019** at **8:30 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

February 19, 2019

Page 2 of 2

4. Approval of Minutes

- a) Finance Committee Meeting Minutes of November 16, 2018
- b) Finance Committee Meeting Minutes of November 30, 2018
- c) Finance Committee Meeting Minutes of January 28, 2018

Recommendation: Finance Committee approval of minutes as submitted

5. FY2018 / 19 Budget Adjustment

Recommendation

The Finance Committee recommends to the Board of Directors a Budget Increase of \$92,391 to the Administration Budget to fund the actuarial services and the cost distribution study accomplished in FY 2018/19 Budget year as Board approved work.

6. Carollo Cost Distribution Study

- Staff Presentation
- Q&A

Recommendation:

Staff recommends the Finance Committee to review and comment on the Carollo Report and accept the recommendation for consideration of Board of Directors on March 7, 2019.

7. 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 14th day of February 2019.



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

**MINUTES OF SPECIAL MEETING
OF THE
SOUTH ORANGE COUNTY WASTEWATER AUTHORITY**

**Finance Committee
November 16, 2018**

The Special Meeting of the South Orange County Wastewater Authority (SOCWA) Finance Committee Meeting was held on November 16, 2018, at 10:30 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
ROBB GRANTHAM	Santa Margarita Water District (arrived 10:40 am)
RAY MILLER	City of San Juan Capistrano
FRED ADJARIAN	El Toro Water District
MATT COLLINGS	Moulton Niguel Water District (exited 11:25 am)

Absent:

TONI ISEMAN	City of Laguna Beach
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Staff Present:

BETTY BURNETT	General Manager
MARY CAREY	Finance Controller
JIM BURROR	Director of Operations
AMBER BAYLOR	Director of Environmental Compliance
KONSTANTIN SHILOV	Sr. Accountant
NADNYN KIM	Accountant
DANITA HIRSH	Administrative Assistant

Also Present:

GREG MOSER	Procopio
MARY BETH REDDING	Bartel Associates LLC (via teleconference)
LUIS MURILLO	Nyhart
DENNIS CAFFERTY	El Toro Water District
NEELY SHAHBAKTI	El Toro Water District
PAM ARENDS-KING	South Coast Water District

1. Call Meeting to Order

Chairperson Erdman called the meeting to order at 10:30 a.m.

2. Pledge of Allegiance – Director Fred Adjarian

3. Public Comments

None

Chairperson Erdman stated that there would be a change to the order of the agenda by addressing item 11 first in courtesy of the Actuarial consultants who were present to report on the GASB 75 and GASB 68.

11. Government Accounting Standards Board Statement GASB 75 and GASB 68 Reporting for FY2017-18 Financial Statements Audit

Ms. Cary provided a brief introduction of Luis Murillo of Nyhart and Mary Beth Redding of Bartel Associates who participated via teleconference.

Mr. Murillo gave a PowerPoint presentation on the GASB 75. An open discussion ensued.

Ms. Redding gave a PowerPoint presentation on the GASB 68 and how the changes would affect the Liability Pension. An open discussion ensued.

Director Collings suggested tabling the agenda item until the next year's (FY19-20) budget.

Ms. Arends-King, CFO for South Coast Water District, requested that a copy of the PERS evaluation report be distributed to the Finance Officers.

Ms. Cary would be distributing the report to SOCWA's Finance Officers via email.

Chairperson Erdman convened the meeting at 11:20 a.m. for a brief recess. The meeting reconvened at 11:31 a.m.

Director Collings exited the Finance Committee meeting at 11:25 a.m. for the remainder of the meeting.

4. Approval of Minutes

Chairperson Erdman noted a correction to be made on the August 10, 2018 Minutes, under item 6, Financial Matters – Month of May 2018 Financials, that Director Miller was missing from the record as voting "Aye" on the approval of the item and asked that the Minutes be corrected.

ACTION TAKEN

Motion was made by Director Grantham and seconded by Director Miller to approve the Finance Committee Minutes for September 19, 2018, August 29, 2018, and June 27, 2018, as submitted, and Minutes for August 10, 2018, with correction as noted.

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

Chairperson Erdman commented on the importance of reviewing the Minutes making sure they were correct for the record. He also stated, over the last two years since he had been on the Finance Committee, there had been minor omissions similar as the one just discussed. The Minutes are sent out in advance and that it is both staff and the Directors responsibility to assure the Minutes are accurate as possible. He stated, there will be times when documents will show up in places where accuracy will be very important as in the situation in Riverside.

This was an Information Item.

5. Monthly Financial Report for June 2018

Ms. Carey stated, only the Cash Disbursements needed to be ratified.

ACTION TAKEN

Motion was made by Director Grantham and seconded by Director Miller that the Finance Committee recommend the Board of Directors ratify the Cash Disbursements for the month of June 2018.

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

Ms. Carey stated, the only thing that was done separately by month was the Cash Disbursements, because the Committee had to ratify Disbursements. The remaining Financial documents were informational only. All of the Financials were current year to date as of September 30 which was assessed for Q1 of the fiscal year. Staff recommended the Finance Committee ratify the disbursements for July, August and September 2018.

Director Erdman stated, unless the Committee objects, he would entertain a motion as a block for approval. He continued that the Committee would address agenda item 9 for the Quarterly reporting and then return to agenda items 6, 7, and 8 to take a motion to approve as a block.

6. Monthly Financial Report for July 2018

7. Monthly Financial Report for August 2018

8. Monthly Financial Report for September 2018

ACTION TAKEN

Motion was made by Director Adjarian and seconded by Director Grantham that the Finance Committee recommend to the Board of Directors to ratify agenda items 6, 7, and 8, the Summary of Disbursements for the period from July 1 through July 31, August 1 through August 31, and September 1 through 30, 2018.

Motion carried:	Aye 4, Nay 0, Abstained 0, Absent 1
	Director Erdman Aye
	Director Iseman Absent
	Director Miller Aye
	Director Grantham Aye
	Director Collings Absent
	Director Adjarian Aye

9. Quarterly (Q1) Financial Reports July 1, 2018 thru September 30, 2018

Ms. Burnett provided the Committee with a high-level overview of the Capital Project Summary July 1 through September 2018. She stated, the beginning part of the year has been slower on the capital spending side and is not unusual. There are 2 large projects of the PC-15 Capital. Page 57 shows the capital projects broken out by Project Committee for the year.

Director Grantham requested a joint meeting of Finance and Engineering Committees to discuss capital project expenditures.

Ms. Carey went over the budget vs. actual cost expenditures on page 57 of the packet. Chairperson Erdman asked that before approving the monthly financial statements for July, August, and September 2018, whether Jim Burror, Director of Operations would provide comments on a few of the notes that were included in the reports.

Mr. Burror provided the following comments:

- 1) The new engines continue to impact our budgets. We are tracking time spend on CIP projects for labor – mostly engine support. Ferric and other operational costs increased more than expected in the project study phases, and we used this information for the FY18-19 budget.
- 2) Delays in completing the RTP engine project increased costs associated with the purchase of power and natural gas.
- 3) New employee costs - Training costs for new employees is as high as requested during the budget process. We will be talking about this some more during the upcoming budget process. We see that increased participation in industry activities to gain knowledge more quickly. I would recommend increasing both training and conference budgets to expedite the training process for the large group of new employees.
- 4) CIP Construction activities have been impacting budgets for items like the use of potable water at CTP. Activities for controlling dust can double our O&M budgets quickly. We will ask Engineering what they anticipate for the upcoming FY for both O&M employee and material resources.
- 5) Opportunity project costs are hard to anticipate during CIP shutdowns. We will try to do more review of projects during design related to assumptions for staff support, equipment operation expectation, and changes to plant operations.
- 6) We increased coordination with O&M, Engineering, and other agency projects due to conflicts all around. This can impact staff workload and O&M backlogs; we will continue to try to balance these competing demands for staff time.

Chairperson thanked Mr. Burror for providing insight and sharing his story with the Committee.

This was an information item.

10. Cash Roll Forward Fiscal Years Summary June 30, 2016 through June 30, 2018, ending September 30, 2018

Ms. Carey stated, this is an information item.

12. Adjournment

There being no further business, Chairman Erdman adjourned the meeting at 12:20 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 November 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

DRAFT

**MINUTES OF SPECIAL MEETING
OF THE
SOUTH ORANGE COUNTY WASTEWATER AUTHORITY**

**Finance Committee
November 30, 2018**

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

Absent:

ROBB GRANTHAM	Santa Margarita Water District
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Staff Present:

BETTY BURNETT	General Manager
MARY CAREY	Finance Controller
JIM BURROR	Director of Operations
AMBER BAYLOR	Director of Environmental Compliance
KONSTANTIN SHILOV	Sr. Accountant
NADNYN KIM	Accountant
ANNA SUTHERLAND	Accounts Payable
DANITA HIRSH	Administrative Assistant

Also Present:

GREG MOSER	Procopio
KEN PUN	The Pun Group
DENNIS CAFFERTY	El Toro Water District
NEELY SHAHBAKTI	El Toro Water District
ERICA CASTILLO	Santa Margarita Water District
TREVOR AGRELIUS	Moulton Niguel Water District

1. Call Meeting to Order

Chairperson Erdman called the meeting to order at 8:35 a.m.

2. Pledge of Allegiance – Jim Burror, Director of Operations

3. Public Comments – None

Chairperson Erdman asked the Director of Operations to provide a report on the plant impacts of the weather storm conditions.

Jim Burror, reported the treatment plants held up well during the storms. He stated, there were a few issues that came up, but overall, the treatment plants did well and that everything is back to normal at this time.

Director Iseman asked that we agendize the protocol on weather conditions and the effects it has on the treatment plants. Ms. Burnett responded that we would put the item on the agenda for future discussion.

4. Monthly Financial Report for October 2018

ACTION TAKEN

Motion was made by Director Adjarian and seconded by Director Miller to recommend to the Board of Directors to ratify the Summary of Disbursements for October 2018 totaling \$2,317, 205.

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

Ms. Burnett, stated that the Committee would also need to receive and file the report which would be going to the Board of Directors for approval.

Director Adjarian asked if there were any specific areas of the Financials that the Finance Controller would like to highlight.

Ms. Carey noted that SOCWA's typical projection in the 1st quarter should be 1/3rd spent of the budget and that we were currently below the mark. An open discussion ensued.

Ms. Baylor, Director of Environment Compliance, drew the Committee's attention to Exhibit E-4 regarding IT expenses on page 19 stating, the overage of "Cloud Subscriptions" was due to recommendations made by Home Land Security in regards to purchasing a Security Management System to prevent potential hacking.

ACTION TAKEN

Motion was made by Director Adjarian and seconded by Director Miller to receive and file the Financial Reports as submitted.

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

5. Pun Group Presentation of FY Ending June 30, 2018, SOCWA Audited Financial Statements

Mr. Ken Pun of The Pun Group presented SOCWA's draft Audited Financial Statements to the Committee noting for the year 2018 the audit is near completion with a few items that were still a few pending items including some classification in the income statement with a few expenses that may be moved back to the operating expense. An open discussion ensued.

Ms. Burnett noted that the Pun Group would be making some changes to a few of the pages in the Financial Statements and would have those changes completed before presenting to the Board of Directors.

There was a consensus amongst the Finance Committee members to proceed with sending the draft Audited Financial Statements on to the Board of Directors meeting on December 2, 2018, for review and approval. The Pun Group would make the necessary changes for the Final document and submit to SOCWA early in the following week.

6. Update on Open Financial Items

Ms. Burnett informed the Finance Committee on the list of documents that SOCWA is required to have completed for closing the financial year. These included the Use Audit and the Financial Statements Audit. Ms. Burnett stated that the Finance Controller made some adjustments to the Use Audit tying the numbers to the Financial Statements as requested by Moulton Niguel Water District. She asked Ms. Carey to provide a high-level overview of the changes that were made to tie the Use Audit to the Financial Statements. Ms. Cary reviewed those items. No action was taken.

7. Adjournment

There being no further business, Alternate Chairman Grantham adjourned the meeting at 10:24 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 November 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

**MINUTES OF SPECIAL MEETING
OF THE
SOUTH ORANGE COUNTY WASTEWATER AUTHORITY**

**Finance Committee
January 28, 2019**

The Special Meeting of the South Orange County Wastewater Authority (SOCWA) Finance Committee Meeting was held on January 28, 2019, 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
ROBB GRANTHAM	Santa Margarita Water District
RAY MILLER	City of San Juan Capistrano
KATHRYN FRESHLEY	El Toro Water District
MATT COLLINGS	Moulton Niguel Water District

Absent:

TONI ISEMAN	City of Laguna Beach
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Staff Present:

BETTY BURNETT	General Manager
MARY CAREY	Finance Controller
JIM BURROR	Director of Operations
AMBER BAYLOR	Director of Environmental Compliance
KONSTANTIN SHILOV	Sr. Accountant
NADNYN KIM	Accountant
ANNA SUTHERLAND	Accounts Payable
DANITA HIRSH	Administrative Assistant

Also Present:

GREG MOSER	Procopio
DENNIS CAFFERTY	El Toro Water District
NEELY SHAHBAKTI	El Toro Water District
PAM ARENDS-KING	South Coast Water District
GAVIN CURRAN	City of Laguna Beach
ERICA CASTILLO	Santa Margarita Water District
TREVOR AGRELIUS	Moulton Niguel Water District

1. Call Meeting to Order

Chairperson Erdman called the meeting to order at 8:32 a.m.

2. Pledge of Allegiance – Director Ray Miller

Ms. Burnett welcomed new Alternate Board Member, Kathryn Freshley as a Member of SOCWA's Finance Committee. Ms. Burnett provided a brief overview of SOCWA's organization and structure. She stated that she was available to answer any questions and that staff would be providing new Board Members with an information packet in the upcoming days.

3. Public Comments – None

4. Workshop: Financial Supplemental Schedules Period Ending June 30, 2018

The Finance Officers of the SOCWA Member Agencies were invited to attend the meeting and participate in the discussion. Member Agency representatives who were not able to attend on January 28, 2019 would be given an opportunity to review the Financial Supplemental Schedules for period ending June 30, 2018 on January 29, 2019 at 10:00 a.m.

Ms. Carey provided a detail breakdown of the Balance Sheet /Net Position by Project Committee and Member Agency. An open discussion ensued.

Director Collings stated he still had open questions and did not feel comfortable supporting the item at this time.

Director Erdman stated that he had to exit the meeting at 9:50 a.m. and handed the gavel off to Director Grantham to continue chairing the meeting in his absence. Director Grantham proceed with conducting the remainder of the Finance Committee meeting.

Director Erdman stated prior to exiting the meeting that for the record, he is in favor of recommending the agenda item to the Board of Directors to receive and file as submitted.

ACTION TAKEN

Motion was made by Director Freshley and seconded by Director Miller to recommend to the Board of Directors to receive and file the Financial Supplemental Schedules for the period ending June 30, 2018, as submitted.

Motion carried:	Aye 3, Nay 1, Abstained 0, Absent 2
	Director Erdman Absent
	Director Iseman Absent
	Director Miller Aye
	Director Grantham Aye
	Director Collings Nay
	Director Freshley Aye

5. Adjournment

There being no further business, Alternate Chairman Grantham adjourned the meeting at 10:19 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 January 28, 2019 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: February 19, 2019

TO: Finance Committee

FROM: Betty Burnett, General Manager

STAFF CONTACT: Mary Carey, Finance Controller

SUBJECT: Board Directed Work not included in FY 2018 / 19 Budget Adjustment Request

FISCAL IMPACT: None

Summary

Staff is requesting an Administration Budget increase in the amount of \$92,391 to cover work approved by the Board to proceed this fiscal year

Background

Total Administrative Costs for FY 2018/19 for "Other Expenses" (non-salary/fringe costs) are \$739,130 as shown on Budget Page 47. The Board approved proceeding with two projects in the current fiscal year that are not within the Administration Budget. The first of these was the work of the Actuaries to determine methodologies for distributing the Authorities' three long-term liabilities by project committee and member agency. This work was contracted for with Bartel & Associates and Nyhart with a total expended in this fiscal year of \$47,580 to date. The recommended distribution of unfunded liabilities was approved by the Board and included in the 2017/18 Audited Financial Statements and in the Supplemental Financial Statements received and filed at the February 7, 2019 Board meeting. The second project is the work of Carollo Engineering to prepare the O&M Cost Distribution Report. The cost for that work was also not within the Administration Budget and the expenditures this fiscal year totals \$44,811 to date. Although not included within the 2018-2019 Budget, these expenses have been paid from the Administration Budget as beneficial expenditures to all SOCWA project committees. Additionally, legal expenditures are trending at this point to run approximately \$65,000 over budget for the current fiscal year. With these expenditures, the Administration costs are trending to close out the year above the budget. Staff is requesting a budget amendment to cover the costs of the Actuarial contracts and the O&M Cost Distribution Report in the amount of \$92,391.

Recommendation

The Finance Committee recommends to the Board of Directors a Budget Increase of \$92,391 to the Administration Budget to fund the actuarial services and the cost distribution study accomplished in FY 2018/19 Budget year as Board approved work.

Agenda Item

6

TO: Finance Committee
FROM: Jim Burror, Director of Operations
SUBJECT: O&M Update – Treatment Cost Analysis Update

Budgeted: Yes
Budget amount: \$128,000
Line Item: PC 2, 15 and 17 and Lines Item 5015
Legal Counsel Review: No
Meeting Date: February 19, 2019

Summary

Carollo Engineering was retained by SOCWA to review and analyze the means and methods SOCWA uses to distribute line item costs to member agencies for each Project Committee. This work supplements the Board level discussions about the fair share allocation of costs for energy, water, and chemicals among other items. Carollo Engineering has completed 95% of the project and has completed a draft report for review and consideration.

Discussion/Analysis

The project included reviewing the current methods for apportioning budget line items back to the Member Agencies. The project also included assessing the apportionment methods and recommending potential changes to help ensure fair distribution of costs back to the Member Agencies.

The basis of the assessment was the FY17-18 Budget Book. A model was created to replicate the apportionment of costs in the FY17-18 Budget Book as the basis for the analysis. The current and proposed apportionments were distributed for review and comment to the Engineering Committee Members and the Member Agencies' Finance Managers on October 19, 2018. Minor comments on the tables were included in the updated tables in the draft report.

The draft report includes the current and proposed apportionments with the resulting fiscal impacts to the Member Agencies. The report also describes the reasons for the proposed changes.

A project update was given to the Engineering Committee on February 14, 2019. Comments received from the member agencies before February 17, 2019 will be distributed to the Finance Committee at the February 19, 2019 meeting. Any subsequent comments received, from the member agencies and the Finance Committee will be included in the presentation to the Board of Directors at the March 7, 2019 Board Meeting.

Fiscal impact

The draft document includes potential fiscal impacts to each agency under the proposed apportionment scenario.

Recommendation

Staff recommends the Finance Committee to review and comment on the Carollo Report and accept the recommendation for consideration of Board of Directors on March 7, 2019.



South Orange County Wastewater Authority
OPERATIONAL COST DISTRIBUTION ANALYSIS

Technical Memorandum
OPERATIONAL COST DISTRIBUTION ANALYSIS
FINDINGS AND RECOMMENDATIONS

DRAFT | February 14, 2019

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Section 1

INTRODUCTION

Beginning in 2015, SOCWA Board began a process of considering cost allocations and agreed to review cost distributions for operational costs. The purpose of this Technical Memorandum (TM) is to summarize the results and proposed recommendations for the Operational Cost Distribution Analysis project performed by Carollo Engineers, Inc. (Carollo) for The South Orange County Wastewater Authority (SOCWA). This TM includes an overview of SOCWA's existing budget and cost distribution process (for Fiscal Year (FY) 2017-2018), and presents Carollo's proposed revisions to the methodology, and the associated impacts to SOCWA Member Agencies.

The purpose of the analysis is to provide a review of how SOCWA distributed costs for FY 17-18 and to identify potential changes to improve the supportability and/or clarity for future budgets.

1.1 SOCWA Organization, Budgeting, and Cost Distribution Overview

SOCWA was formed in 2001 with the mission to manage the collection, transmission, treatment, and disposal of wastewater for over 500,000 residences and businesses in south Orange County, California. SOCWA is a Joint Powers Authority with ten Member Agencies that each provides wastewater collection services to their residents. SOCWA is under the direction of a General Manager and is governed by a ten-member Board of Directors, which is comprised of representatives from each Member Agency. Table 1 lists these ten Member Agencies and the abbreviations utilized in this TM.

Table 1 SOCWA Member Agencies

Member Agency	Abbreviation
City of Laguna Beach	CLB
City of San Clemente	CSC
City of San Juan Capistrano	CSJC
El Toro Water District	ETWD
Emerald Bay Service District	EBSD
Irvine Ranch Water District	IRWD
Moulton Niguel Water District	MNWD
Santa Margarita Water District	SMWD
South Coast Water District	SCWD
Trabuco Canyon Water District	TCWD

SOCWA operates and maintains three treatment plants, two ocean outfalls, one effluent transmission main, and multiple permits to meet requirements under the National Pollutant Discharge Elimination System (NPDES). Each of these facilities and their associated Member Agencies are referred to as Project Committees (PC) (Table 2).

Member agencies, in their role as both user participants and capacity owners at each PC, are contractually responsible for contributing funding necessary to operate each PC. Pursuant to the Member Agencies agreements, SOCWA agencies share facilities costs based on budgeted and actual usage. Costs are grouped into the categories of “liquids”, “solids”, “AWT” (advanced water treatment), and “common.” Usage is determined for liquids based on metered and assumed flows¹. Solids usage is determined by TSS and BOD expressed as pounds per day. The allocation of AWT costs is determined by ownership of the AWT facilities, regardless of flow. Operational costs may also be designated as common expenses related to general facility functions not otherwise characterized as liquids or solids. In June of each year, SOCWA establishes budgets based on prior annual and averaged periods of use². Each year, following the close of the fiscal year (June 30), costs are redistributed based on actual incurred liquids, common, and solids expenses and usage adjusted to actual.

Because utilities, chemicals, supplies and other expenses are incurred as bulk purchases to meet liquids, solids and common treatment purposes, historical cost distribution percentages are utilized to apportion costs to specific functions. Historical cost distribution approaches include metering, estimating, and evaluation of percentage to track purpose of the cost incurred. Since 2014, the SOCWA Board has made adjustments to move costs between liquids, solids and common expenses, considering factors such as the fixed or variable nature of the expenses incurred. This Operational Cost Distribution Analysis has been undertaken to go one step further and update the distribution approaches, evaluating the equity behind the apportionment methods, and to recommend adjustments.

Table 2 SOCWA Project Committees

Project Committee (PC) Number	PC Description	Member Agencies			
2	JB Latham WWTP	CSJC	MNWD	SCWD	SMWD
5	San Juan Creek Ocean Outfall (SJCOO)	CSJC CSC	MNWD	SCWD	SMWD
8	Pre-Treatment	CLB CSC CSJC	EBS ETWD	IRWD MNWD	SCWD SMWD
12	Recycled Water Permits	CSJC MNWD	SCWD	SMWD	TCWD
15	Coastal WWTP	CLB	EBS	MNWD	SCWD
17	Regional WWTP	CLB EBS	ETWD	MNWD	SCWD
21	Effluent Transmission Main (ETM)	ETWD	IRWD	MNWD	
24	Aliso Creek Ocean Outfall (ACOO)	CLB EBS	ETWD IRWD	MNWD	SCWD

¹ MNWD is assumed to contribute 1.4 mgd of flow to the J.B. Latham Treatment Plant (PC 2) and solids are assumed to be delivered to JBL in a strength that is equivalent to the influent flows to Plant 3A. This data is provided to SOCWA periodically from the operations staff at 3A.

² Member Agencies participate in review and approval of the budget projections and background flow/strength information used to prepare the Budgets.

1.2 Operational Budget Overview

Each year SOCWA creates an operating budget for each PC. The budget process begins in December with the SOCWA management team's review of the prior year's budget in order to identify areas of the budget that required adjustment from the prior year. At the same time, the Engineering Committee reviews ongoing and upcoming capital projects. SOCWA's General Manager then provides the Member Agency with the proposed budget, and holds a workshop to provide Member Agencies the opportunity to propose revisions. Mutually agreed-upon adjustments are made to the budget for Member Agency review and the final operating budget is presented to the Board of Directors for adoption in June. As noted above, budgets allocate usage costs to liquids, solids, AWT, and common purposes and propose apportionments for bulk incurred expenses with percentages assigned to equitably allocate based on the purpose of the expense. Costs that are not related to use, such as capital costs, are allocated based on facility ownership capacity with agencies owning differing percentages of liquids and solids capacity in each facility.

SOCWA invoices Member Agencies in equal quarterly amounts based on their share of the adopted budget. As noted above, at the end of each year, the budget is reconciled against actual expenses incurred, and the Member Agencies are credited or billed for the difference between budgeted and actual expenses for the given year. The budget process begins again with the actual expenses from the previous year(s) serving as the foundation for the next year's budget.

Section 2

PROJECT SCOPE

Carollo provided SOCWA with an analysis of its current cost apportionment methodology for each PC, and recommended potential modifications to streamline the process and increase efficiency. The focus of this TM is to review the methods by which expenses are apportioned among liquids, solids, AWT, common and recommend alternative approaches to distribute costs to each PC and to the Member Agencies. This section provides information regarding the approach and scope of this study, as well as an explanation of historical cost distributions.

Carollo met with SOCWA staff to assess needs and request the information necessary to conduct a thorough and supportable analysis. Proposed adjustments to SOCWA's existing cost distribution methods were discussed with SOCWA staff, and feedback was considered in Carollo's proposed recommendations. The resulting operational cost distribution recommendations and accompanying model provides SOCWA with an improved platform for budget preparation.

Carollo's analysis is based on available data and relied on aggregated data provided by SOCWA for evaluation of labor and incurred expenses. Carollo developed a budget model using Microsoft Excel to facilitate adjustments to the budget data and to analyze the impacts. This model uses the FY 2017-18 budget data and allows for adjustments to apportionments and functional categories of expense accounts to estimate budget impacts. Figure 1 illustrates the focus of Carollo's review of the Operational Cost Distributions.

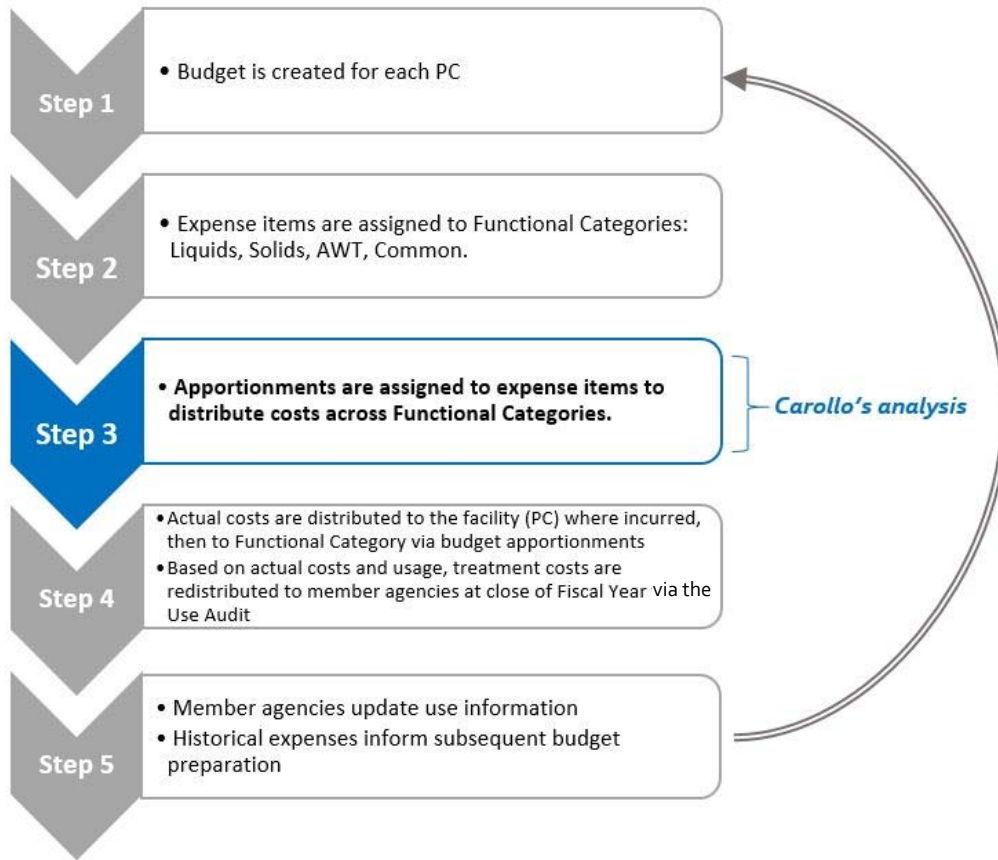


Figure 1 Operational Cost Distribution Analysis Project Scope

2.1 SOCWA Budget Process and Terminology

In Fiscal Year 2017-2018, SOCWA’s operations and maintenance budget was \$18.0 million (per the Fiscal Year 2017-18 Total Operating Budget Report, Approved June 14, 2017). Table 3 shows the budget by PC. Carollo’s proposed adjustments to the allocation methodology do not alter SOCWA’s overall budget or the budget for each PC. However, the proposed changes do change the overall dollar amounts payable by each Member Agency.

Table 3 Budget Breakdown by PC

PC #	Description	FY 17-18 Budget
2	JB Latham Treatment Plant	\$5,689,556
5	San Juan Creek Ocean Outfall	\$475,884
8	Pre-Treatment	\$192,224
12	Recycled Water Permits	\$244,872
15	Coastal Treatment Plant	\$3,000,388
17	Regional Treatment Plant	\$7,849,616
21	Effluent Transmission Main	\$63,224
24	Aliso Creek Ocean Outfall	\$474,196
TOTAL BUDGET		\$17,989,960

Source: Fiscal Year 2017-18 Total Operating Budget Report (Approved June 14, 2017)

2.1.1 Functional Categories

Functional Categories are the process areas within each PC that benefit from the specific expense. The primary Functional Categories include:

- **Solids** – Expenses that benefit wastewater solids processes measured based on TSS and BOD as pounds per day of treated solids.
- **Liquids** – Expenses that benefit wastewater liquids processes measured based on delivered wastewater flows. Measurement may be by metered flow or assumed flows.
- **Advanced Water Treatment (AWT)** – Expenses related to advanced water treatment processes. AWT units are 100% cost allocated to single member agencies.
- **Common** – Expenses that are specific only to the overall facility and neither specifically liquids, solids, nor AWT treatment process related.
- **Outfall, Fixed** – Expenses that are accrued by the outfall’s operation, regardless of flow.
- **Outfall, Variable** – Expenses that are accrued by the outfall’s operation, based on the amount of flow.

The Functional Categories that apply to each PC are identified in Appendix B.

2.1.2 Apportionment Basis

An Apportionment Basis is a group of similar actions identified for distribution of like costs. The proposed apportionments cover 22 different basic expenses and distribute costs across one or more Functional Categories (i.e. liquids, solids, AWT, common).

Table 4 lists the Apportionment Basis used in SOCWA’s budgeting process. In the table, the Apportionment Basis shows grouping and color based on similarity of expenses. For example, the blue grouping includes staffing and timecard-related expenses. The green grouping includes expenses related to a single function within a given facility. The yellow grouping includes consumables and other expenses that are distributed into functional categories based on metering, equipment and understanding of purpose for costs incurred.

Table 4 Apportionment Basis Definitions

Apportionment Basis	Definition
Labor - Actual Use	Apportioned using staff's actual timecard inputs.
Labor - Allocation	Apportioned using actual (timecard) percentages.
Labor - Overtime	Apportioned using actual (timecard) percentages.
Actual Use - Bills Coded	Distributed based on actual bills coded by PC and functional area for payment (dollar amounts). This is rarely used during the budget process, but is used during the use audit to reconcile specific expenses.
Common	Apportionment to solely common purposes. Split equally between common liquids and common solids.
Solids	Cost incurred only for solid processes.
Liquids	Cost incurred only for liquid processes.
AWT	Cost incurred only for AWT processes.
Outfall – Fixed	Cost incurred without relationship to flow volume identified as fixed. Applies only to outfalls (PC5 & PC24)
Outfall - Variable	Costs incurred with relationship to flow volume. Applies only to outfalls (PC5 & PC24)
ETM	Operational Cost applies only to effluent transmission main (PC21) with a 2/3 and 1/3 split between Reach B/C/D and Reach E, respectively.
Electricity	Apportioned to functional area based on horsepower and of equipment run times.
Natural Gas	Apportioned to functional area based on the metering of large equipment.
Potable & Reclaimed Water	Apportioned to functional area based on past engineering studies and staff estimates. ⁽¹⁾
Chlorine/Sodium Hypochlorite	Apportioned to functional area based on tracked AWT and RAS usage.
Ferric Chloride	Apportioned to functional area based on an estimate of benefit to processing.
Odor Control Chemicals	Apportioned based on airflows to system by source.
Laboratory	Apportioned based on actual laboratory expenses.
Petroleum Products	Apportioned based on HP of equipment run times.
Recycled Water Permitting	Applies only to PC12, which apportions 50% of costs to Recycled Water Permits and 50% Equally.
Insurance	PC8 insurance costs are distributed equally across all member agencies. All other PC property insurance costs are included in "Common" costs apportionments.

Notes:

(1) JB Latham Treatment Plant was analyzed by Pace in 2014.

For Budget preparation, expenses with a given Apportionment Basis are distributed into Functional Categories based on a percentage allotment varying up to 100%. The percentage allotment for each Apportionment Basis can vary by facility as each facility is of differing age,

operating equipment and construction. The following examples are meant to illustrate how this is done for some of the distributions:

- Labor distributions by PC and functional area is budgeted each year based on the prior year actuals. “Labor – Actual Use” is apportioned based on the timesheet inputs of staff at each PC. As examples, this may be 45% Solids, 35% Liquids, 10% Common Solids, and 10% Common Liquids for PC2 (JB Latham WWTP), but could be 75% Solids, 0% Liquids, 25% Common Solids, and 0% Common Liquids at PC17 (Regional WWTP) reflective of the services provided by staff.
- Consumables such as chemicals are estimated for budgeting based on prior year actual and any planned changes in plant operations. Consumables are allocated based on area of benefit to plant operations. As an example, “Ferric Chloride” is allocated based on the primary benefit it provides at a given PC. The specific use of the ferric chloride chemical varies due to the difference in plant processes. For PC 2 (JB Latham WWTP) it is 100% Solids, 100% Liquids at PC15 (Costal WWTP), and 80% Solids and 20% Liquids at PC17 (Regional WWTP).
- Metered utilities are budgeted based on prior year actual and any planned changes in plant operations. Metered utilities are allocated based on analysis of available data as to equipment usage. As an example, “Electricity” is allocated based on an analysis of equipment run times. The horsepower rating of major equipment is used to estimate the portion of energy consumed by each process within each plant.

Appendix B includes summary tables of the percentage allocations of each Apportionment Basis to Functional Categories for each PC for the FY 18 budget.

Figure 2 illustrates the allocation process for a sample expense. In this example, “Landscaping” expense is assigned the Apportionment Basis “Common”. “Common” expenses are allocated 50/50 to liquids and solids ownership percentages as determined by the applicable PC capacity shares.

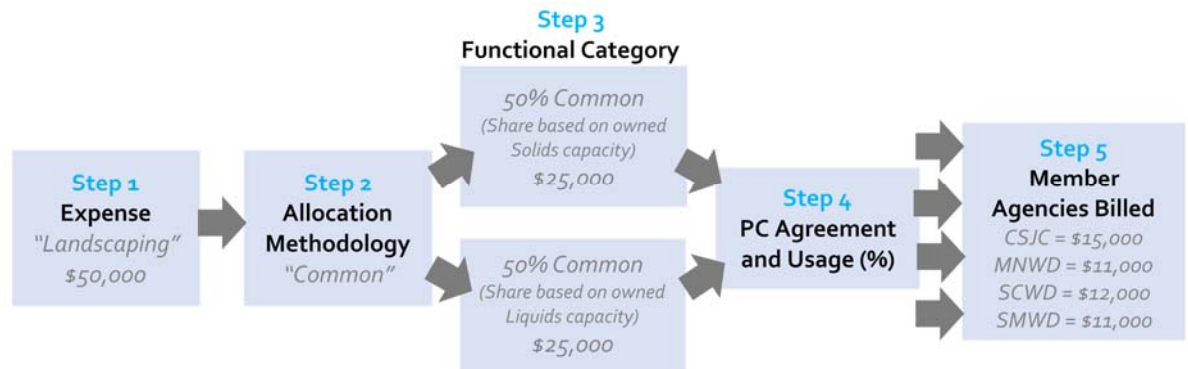


Figure 2 Cost Apportionment Process Example

Section 3

RECOMMENDED APPORTIONMENT CHANGES

Carollo’s proposed adjustments to SOCWA’s cost apportionment methodology is designed to more equitably distribute expenses based on their areas of provided benefit. As a result, some PCs see small changes while others will see greater shifts among apportionments to Functional Categories and corresponding Member Agency funding requirements. The proposed adjustments are presented in the tables below.

3.1 Treatment Plant Changes

Certain expenses have recommended apportionment changes that are constant across the three treatment plant PCs. Table 5 presents proposed apportionment basis changes that are consistent for all treatment plants (JB Latham, Coastal, and Regional).

Table 5 Proposed Apportionment Changes for Treatment Plant PCs

Account Code	Expense	Current Apportionment	Proposed Apportionment	Reasoning
5700	Standby Pay	Labor – Allocation	Common	Pay is not dependent on process that requires work.
5021	Small Vehicle Expense	Labor – Allocation	Common	Benefits entire plant equally, not reflective of timesheets
5026	Small Vehicle Fuel	Labor – Allocation	Common	Benefits entire plant equally, not reflective of timesheets
5033	Recruitment	Labor – Allocation	Common	Benefits entire plant equally, not reflective of timesheets
5061	Mileage	Labor – Allocation	Common	Benefits entire plant equally, not reflective of timesheets

For account codes 5014 (Engineering Misc.), 5015 (Management Support Services), 5016 (Audit Environmental), and 5017 (Legal Fees), we recommend these remain “Common” for budgeting purposes, to provide staff the flexibility to allocate charges to agencies or specific functions as needed during the Use Audit process.

3.2 Ocean Outfall Changes

The allocation methodology varies depending on the outfall (San Juan Creek and Aliso Creek). Outfall expenses are assigned “Outfall – Fixed” or “Outfall – Variable” Allocation Bases. Table 6 presents proposed changes to outfall Allocation Bases.

Table 6 Proposed Apportionment Changes for Outfalls

Account Code	Expense	Current Apportionment (2)	Proposed Apportionment	Reasoning
5000	Regular Salaries – O&M	Variable	Fixed	Not dependent on amount of flow
5001	Overtime Salaries	Variable	Fixed	Not dependent on amount of flow
5302	Performance-Based Merit Pay	Variable	Fixed	Not dependent on amount of flow
5306	Scheduled Holiday Work	Variable	Fixed	Not dependent on amount of flow
5307	Weekend Shift Pay	Variable	Fixed	Not dependent on amount of flow
5315	Comp Time – O&M	Variable	Fixed	Not dependent on amount of flow
5401	Fringe Benefits	Variable	Fixed	Not dependent on amount of flow
5700	Standby Pay	Variable	Fixed	Not dependent on amount of flow
5011	Laboratory Services	Variable	Fixed	Not dependent on amount of flow
5014	Engineering – Misc. ⁽¹⁾	Variable	Fixed	Not dependent on amount of flow
5015	Management Support Services ⁽¹⁾	Variable	Fixed	Not dependent on amount of flow
5017	Legal Fees ⁽¹⁾	Variable	Fixed	Not dependent on amount of flow
5031	Safety Program & Supplies	Variable	Fixed	Not dependent on amount of flow
5034	Travel Expense/Tech. Conferences	Variable	Fixed	Not dependent on amount of flow
5036	Laboratory Supplies	Variable	Fixed	Not dependent on amount of flow
5038	Permits	Fixed	Variable	Can vary if flows are increased or decreased
5044	Offshore Monitoring	Variable	Fixed	Not dependent on amount of flow
5045	Offshore Biochemistry - 20B	Variable	Fixed	Not dependent on amount of flow
5046	Effluent Chemistry	Variable	Fixed	Not dependent on amount of flow
5058	Maintenance Equip. & Facilities (Common)	Variable	Fixed	Not dependent on amount of flow
5301	Vehicle Pay	Variable	Fixed	Not dependent on amount of flow
5305	Medicare Tax Payments for Employees	Variable	Fixed	Not dependent on amount of flow
5705	Monthly Car Allowance	Variable	Fixed	Not dependent on amount of flow
6500	IT Allocations in to PC's & Depts.	Variable	Fixed	Not dependent on amount of flow

Notes:

- (1) For account codes 5014 (Engineering Misc.), 5015 (Management Support Services), and 5017 (Legal Fees), and any other line items that are identified specifically to an agency that is functionally specific, we recommend that staff should retain the flexibility to allocate charges to agencies or specific functions as needed during the Use Audit process.
- (2) O&M Costs Allocation (Variable) – Current variable O&M costs for the Outfall are determined on the basis of the average annual flows of each PC Member in a fiscal year allocated to each PC Member based on the following formula: (a) 5% variable cost component calculated by multiplying 5% of the total variable cost by the ownership percentage and this can be considered a "fixed cost". (b) 95% variable cost component calculated by multiplying 95% of the total variable cost by the average Outfall flows for the preceding calendar year.

The majority of the changes are a reclassification of variable to fixed costs, as most expenses accrued by the outfall PCs occur regardless of the amount of flow through the outfall. However, "Permits" expenses are proposed as an "Outfall – Variable" allocation as they can vary if the flow through the outfall changes.

In addition, each ocean outfall (PC5 and PC24) currently utilizes three Functional Categories to distribute expenses to Member Agencies; "Fixed", "Variable – 5%", and "Variable – 95%". The Functional Categories "Fixed" and "Variable – 5%" have identical Member Agency distributions, and the division of variable expenses into two categories provides no observed benefit to the distribution of costs. Carollo recommends that "Variable – 5%" and "Variable – 95%" be consolidated into the "Variable" Functional Category to simplify the cost allocation process.

3.3 PC-Specific Changes

Several recommended changes are unique to a particular facility (PC) For example, both Coastal and Regional Treatment Plants have changes for a few Apportionment Basis percentages.

J.B. Latham Plant (PC2)

- Ferric Chloride costs at this facility are used to benefit the digester gas processes. Therefore, these costs should be apportioned 100% to the solids Functional Category. The current apportionment is 80% to liquids and 20% to solids. (This change was implemented in the FY18-19 budget based on the results of the Budget Workshop process and by approval of the Board.)
- In general, electricity apportionments are determined based on equipment usage and run times. It is recommended that the calculation for electricity and natural gas at this facility be performed annually with the preparation of the budget.

Coastal Treatment Plant (PC15)

- In general, electricity apportionments are determined based on equipment usage and run times. For the Coastal Treatment Plant, the AWT facility is metered separately to South Coast Water District (SCWD) and paid for by SCWD. Accordingly, the current electricity distribution should be revised to 100% liquids.
- In general, natural gas is apportioned based on gas metering for large equipment at each facility. The AWT facility is metered separately to South Coast Water District (SCWD) and paid for by SCWD. Accordingly, the current gas distribution should be revised to 50% liquids and 50% common.
- It is recommended that the calculation electricity and natural gas at this facility be performed annually with the preparation of the budget.
- Unlike PC2 and PC17, the "Ferric Chloride" costs at this facility are for odor control and are 100% liquids costs. No change is needed, since the apportionment basis already reflects this.

Table 7 illustrates the changes made to "Electricity" and "Natural Gas" Apportionment Basis at PC15 (Coastal WWTP).

Table 7 PC15 Functional Category Changes by Apportionment Basis

Basis	Current			Proposed		
	Liquids	AWT	C/Liquids	Liquids	AWT	C/Liquids
Electricity	94%	2.5%	3.5%	100%	-	-
Natural Gas	95%	-	5%	50%	-	50%

Regional Treatment Plant (PC17)

- Ferric Chloride costs at this facility are used to benefit the digester gas processes (similar to PC2). Therefore, these costs should be apportioned 100% to the solids Functional Category. The current apportionment is 80% to liquids and 20% to solids.
- In general, electricity apportionments are determined based on equipment usage and run times. It is recommended that the calculation electricity and natural gas at this facility be performed annually with the preparation of the budget.

Table 8 shows the recommended change for PC 17 "Ferric Chloride" Apportionment Basis.

Table 8 PC17 Functional Category Changes to Apportionment Basis

Basis	Current		Proposed	
	Liquids	Solids	Liquids	Solids
Ferric Chloride	80%	20%	-	100%

Remaining PCs

In addition to treatment plants and outfalls, the allocation methodologies for PC8 (Pre-Treatment), PC12 (Permits), and PC21 (ETM) were examined. No changes to the cost allocation approach are recommended for these PCs.

Section 4

RESULTS

The proposed revised cost apportionment methods results in the redistribution of expenses across Functional Categories, due to changes in Apportionment Basis and PC-specific alterations. This section presents the redistribution of expenses by Apportionment Basis, Functional Category, and finally by Member Agency.

4.1 Results by Apportionment Basis

The proposed allocation methodology revisions reassign expenses to a new Allocation Basis, as described in the previous sections. Table 9 provides details of expenses by Allocation Basis for each PC before proposed changes were applied. Table 10 shows expenses by Allocation Basis for each PC after the proposed changes were applied. Finally, Table 11 illustrates the difference between the two, with positive values indicating less expenses were allocated to that basis after the proposed allocation, and negative values indicating that more expenses were allocated to that basis after the proposed allocation.

These proposed adjustments do not change the total budget for any PC. However, the proposed changes do alter the dollar amounts among Apportionment Bases within each PC.

Of the original FY 17-18 budget, the majority of the costs were in Apportionment Bases "Labor – Actual Use" (23%), followed by "Labor – Allocation" (19%), "Solids" (13%), and "Common" (13%). After implementing the proposed changes, these total percentages change only slightly, however, these bases remain the largest in terms of total expenses.

After the proposed changes, "Outfall – Fixed" increased by 1.4% (\$247,075) and "Common" increased by 0.7% (\$130,699). In contrast, "Outfall – Variable" decreased by -1.4% (-\$247,075), "Labor – Actual Use" decreased by -0.3% (-\$46,666), and "Labor – Allocation" decreased by -0.5% (-\$84,033).

Table 9 Expenses by Allocation Basis Before Allocation

Apportionment Basis	PC2	PC5	PC8	PC12	PC15	PC17	PC21	PC24	Total Expenses	%
Labor - Actual Use	\$ 1,428,833	\$ -	\$ 85,113	\$ 50,586	\$ 875,443	\$ 1,819,549	\$ -	\$ -	\$ 4,259,524	23.7%
Labor - Allocation	\$ 1,085,752	\$ -	\$ 61,961	\$ 37,238	\$ 658,668	\$ 1,675,422	\$ -	\$ -	\$ 3,519,041	19.6%
Labor - Overtime	\$ 22,110	\$ -	\$ -	\$ -	\$ 11,121	\$ 39,345	\$ -	\$ -	\$ 72,576	0.4%
Actual Use - Bills Coded	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%
Common	\$ 811,307	\$ -	\$ 40,427	\$ -	\$ 555,654	\$ 951,232	\$ -	\$ -	\$ 2,358,620	13.1%
Solids	\$ 1,265,000	\$ -	\$ -	\$ -	\$ -	\$ 1,142,000	\$ -	\$ -	\$ 2,407,000	13.4%
Liquids	\$ 280,000	\$ -	\$ -	\$ -	\$ 327,000	\$ 307,000	\$ -	\$ -	\$ 914,000	5.1%
AWT	\$ -	\$ -	\$ -	\$ -	\$ 35,000	\$ 58,996	\$ -	\$ -	\$ 93,996	0.5%
Outfall - Fixed	\$ -	\$ 166,373	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 259,642	\$ 426,015	2.4%
Outfall - Variable	\$ -	\$ 309,491	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 214,576	\$ 524,067	2.9%
ETM	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 63,231	\$ -	\$ 63,231	0.4%
Electricity	\$ 524,000	\$ -	\$ -	\$ -	\$ 283,000	\$ 675,000	\$ -	\$ -	\$ 1,482,000	8.2%
Natural Gas	\$ 65,000	\$ -	\$ -	\$ -	\$ 3,000	\$ 141,000	\$ -	\$ -	\$ 209,000	1.2%
Potable & Reclaimed Water	\$ 15,000	\$ -	\$ -	\$ -	\$ 13,000	\$ 34,000	\$ -	\$ -	\$ 62,000	0.3%
Chlorine/Sodium Hypochlorite	\$ 28,000	\$ -	\$ -	\$ -	\$ 100,000	\$ 350,000	\$ -	\$ -	\$ 478,000	2.7%
Polymer Products	\$ -	\$ -	\$ -	\$ -	\$ 2,000	\$ 406,000	\$ -	\$ -	\$ 408,000	2.3%
Ferric Chloride	\$ 100,000	\$ -	\$ -	\$ -	\$ 30,000	\$ 125,000	\$ -	\$ -	\$ 255,000	1.4%
Odor Control Chemicals	\$ 25,000	\$ -	\$ -	\$ -	\$ 85,000	\$ 50,000	\$ -	\$ -	\$ 160,000	0.9%
Laboratory	\$ 23,500	\$ -	\$ 2,500	\$ -	\$ 19,504	\$ 33,020	\$ -	\$ -	\$ 78,524	0.4%
Petroleum Products	\$ 16,000	\$ -	\$ -	\$ -	\$ 2,000	\$ 42,000	\$ -	\$ -	\$ 60,000	0.3%
Recycled Water Permits	\$ -	\$ -	\$ -	\$ 157,083	\$ -	\$ -	\$ -	\$ -	\$ 157,083	0.9%
Insurance	\$ -	\$ -	\$ 2,199	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,199	0.0%
Rounding	\$ 54	\$ 20	\$ 24	\$ (35)	\$ (2)	\$ 53	\$ (7)	\$ (22)	\$ 85	
Total	\$ 5,689,556	\$ 475,884	\$ 192,224	\$ 244,872	\$ 3,000,388	\$ 7,849,617	\$ 63,224	\$ 474,196	\$ 17,989,961	100.0%

*Rounding values from Fiscal Year 2017-18 Total Operating Budget Report, Approved June 14, 2017

Table 10 Expenses by Allocation Basis After Allocation

Apportionment Basis	PC2	PC5	PC8	PC12	PC15	PC17	PC21	PC24	Total Expenses	%
Labor - Actual Use	\$ 1,405,500	\$ -	\$ 85,113	\$ 50,586	\$ 852,110	\$ 1,819,549	\$ -	\$ -	\$ 4,212,858	23.4%
Labor - Allocation	\$ 1,060,252	\$ -	\$ 61,961	\$ 37,238	\$ 645,468	\$ 1,630,089	\$ -	\$ -	\$ 3,435,008	19.1%
Labor - Overtime	\$ 22,110	\$ -	\$ -	\$ -	\$ 11,121	\$ 39,345	\$ -	\$ -	\$ 72,576	0.4%
Actual Use - Bills Coded	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%
Common	\$ 860,140	\$ -	\$ 40,427	\$ -	\$ 592,187	\$ 996,565	\$ -	\$ -	\$ 2,489,319	13.8%
Solids	\$ 1,265,000	\$ -	\$ -	\$ -	\$ -	\$ 1,142,000	\$ -	\$ -	\$ 2,407,000	13.4%
Liquids	\$ 280,000	\$ -	\$ -	\$ -	\$ 327,000	\$ 307,000	\$ -	\$ -	\$ 914,000	5.1%
AWT	\$ -	\$ -	\$ -	\$ -	\$ 35,000	\$ 58,996	\$ -	\$ -	\$ 93,996	0.5%
Outfall - Fixed	\$ -	\$ 330,864	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 342,226	\$ 673,090	3.7%
Outfall - Variable	\$ -	\$ 145,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 131,992	\$ 276,992	1.5%
ETM	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 63,231	\$ -	\$ 63,231	0.4%
Electricity	\$ 524,000	\$ -	\$ -	\$ -	\$ 283,000	\$ 675,000	\$ -	\$ -	\$ 1,482,000	8.2%
Natural Gas	\$ 65,000	\$ -	\$ -	\$ -	\$ 3,000	\$ 141,000	\$ -	\$ -	\$ 209,000	1.2%
Potable & Reclaimed Water	\$ 15,000	\$ -	\$ -	\$ -	\$ 13,000	\$ 34,000	\$ -	\$ -	\$ 62,000	0.3%
Chlorine/Sodium Hypochlorite	\$ 28,000	\$ -	\$ -	\$ -	\$ 100,000	\$ 350,000	\$ -	\$ -	\$ 478,000	2.7%
Polymer Products	\$ -	\$ -	\$ -	\$ -	\$ 2,000	\$ 406,000	\$ -	\$ -	\$ 408,000	2.3%
Ferric Chloride	\$ 100,000	\$ -	\$ -	\$ -	\$ 30,000	\$ 125,000	\$ -	\$ -	\$ 255,000	1.4%
Odor Control Chemicals	\$ 25,000	\$ -	\$ -	\$ -	\$ 85,000	\$ 50,000	\$ -	\$ -	\$ 160,000	0.9%
Laboratory	\$ 23,500	\$ -	\$ 2,500	\$ -	\$ 19,504	\$ 33,020	\$ -	\$ -	\$ 78,524	0.4%
Petroleum Products	\$ 16,000	\$ -	\$ -	\$ -	\$ 2,000	\$ 42,000	\$ -	\$ -	\$ 60,000	0.3%
Recycled Water Permits	\$ -	\$ -	\$ -	\$ 157,083	\$ -	\$ -	\$ -	\$ -	\$ 157,083	0.9%
Insurance	\$ -	\$ -	\$ 2,199	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,199	0.0%
Rounding	\$ 54	\$ 20	\$ 24	\$ (35)	\$ (2)	\$ 53	\$ (7)	\$ (22)	\$ 85	
Total	\$ 5,689,556	\$ 475,884	\$ 192,224	\$ 244,872	\$ 3,000,388	\$ 7,849,617	\$ 63,224	\$ 474,196	\$ 17,989,961	100.0%

*Rounding values from Fiscal Year 2017-18 Total Operating Budget Report, Approved June 14, 2017

Table 11 Impacts on Expenses by Allocation Basis After Allocation Changes

Apportionment Basis	PC2	PC5	PC8	PC12	PC15	PC17	PC21	PC24	Change in Total Expenses	%
Labor - Actual Use	\$ (23,333)	\$ -	\$ -	\$ -	\$ (23,333)	\$ -	\$ -	\$ -	\$ (46,666)	-0.3%
Labor - Allocation	\$ (25,500)	\$ -	\$ -	\$ -	\$ (13,200)	\$ (45,333)	\$ -	\$ -	\$ (84,033)	-0.5%
Labor - Overtime	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%
Actual Use - Bills Coded	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%
Common	\$ 48,833	\$ -	\$ -	\$ -	\$ 36,533	\$ 45,333	\$ -	\$ -	\$ 130,699	0.7%
Solids	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%
Liquids	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%
AWT	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%
Outfall - Fixed	\$ -	\$ 164,491	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 82,584	\$ 247,075	1.4%
Outfall - Variable	\$ -	\$ (164,491)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (82,584)	\$ (247,075)	-1.4%
ETM	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%
Electricity	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%
Natural Gas	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%
Potable & Reclaimed Water	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%
Chlorine/Sodium Hypochlorite	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%
Polymer Products	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%
Ferric Chloride	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%
Odor Control Chemicals	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%
Laboratory	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%
Petroleum Products	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%
Recycled Water Permits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%
Insurance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%
Total Changes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

Key
LESS expenses than current
MORE expenses than current

4.2 Results by Functional Category

The proposed revisions to the cost allocation methodology results in the redistribution of expenses across Functional Categories, which correspondingly results in changes to the total costs billed to Member Agencies. Table 12 provides detail of expenses distributed by Functional Category prior to the proposed changes. Table 13 shows expenses by Functional Category after the proposed changes were implemented. Table 14 illustrates the difference between the two, with positive values indicating less expense was allocated to that category after the proposed revisions, and negative values indicating that more expense was allocated to that category after the proposed revisions.

These proposed adjustments do not change the total budget for any PC. However, the proposed changes do alter the dollar amounts among Functional Categories within each PC. Because no changes were made to PC8, PC12, and PC21, the Fictional Categories for these PCs were grouped in the "All Others" column to simplify the tables.

The proposed changes have a net reduction in Liquids, AWT, and Outfall Flows Functional Categories, and a net increase in Solids, Common, and Capacity Functional Categories. The largest shift occurs at the outfalls (PC5 and PC24) due to the many changes described in Section 3.2 (Ocean Outfall Changes) and Table 6.

Table 12 Expenses by Functional Category Before Allocation Changes

	Treatment Plants					Outfalls		Others	Rounding	PC Total
	Solids	Liquids	AWT	C/Solids	C/Liquids	Outfall Flow	Capacity	All Others		
PC2 JB Latham WWTP	\$2,500,731	\$1,993,963		\$ 597,404	\$ 597,404				\$ 54	\$ 5,689,556
PC5 San Juan Creek Outfall						\$ 309,491	\$ 166,373		\$ 20	\$ 475,884
PC8 Pre-Treatment								\$ 192,200	\$ 24	\$ 192,224
PC12 Recycled Water Permits								\$ 244,907	\$ (35)	\$ 244,872
PC15 Coastal WWTP		\$1,680,516	\$ 378,466		\$ 941,408				\$ (2)	\$ 3,000,388
PC17 Regional WWTP	\$3,529,815	\$2,175,392	\$ 858,752	\$ 641,698	\$ 643,908				\$ 53	\$ 7,849,617
PC21 ETM								\$ 63,231	\$ (7)	\$ 63,224
PC24 Aliso Creek Outfall						\$ 214,576	\$ 259,642		\$ (22)	\$ 474,196
Functional Category Total	\$6,030,546	\$5,849,871	\$1,237,218	\$1,239,101	\$2,182,720	\$ 524,067	\$ 426,015	\$ 500,338	\$ 85	\$ 17,989,961

Table 13 Expenses by Functional Category After Allocation Changes

	Treatment Plants					Outfalls		Others	Rounding	PC Total
	Solids	Liquids	AWT	C/Solids	C/Liquids	Outfall Flow	Capacity	All Others		
PC2 JB Latham WWTP	\$2,511,761	\$1,963,795		\$ 606,973	\$ 606,973				\$ 54	\$ 5,689,556
PC5 San Juan Creek Outfall						\$ 145,000	\$ 330,864		\$ 20	\$ 475,884
PC8 Pre-Treatment								\$ 192,200	\$ 24	\$ 192,224
PC12 Recycled Water Permits								\$ 244,907	\$ (35)	\$ 244,872
PC15 Coastal WWTP		\$1,673,313	\$ 366,642		\$ 960,436				\$ (2)	\$ 3,000,388
PC17 Regional WWTP	\$3,541,700	\$2,132,453	\$ 849,268	\$ 661,967	\$ 664,177				\$ 53	\$ 7,849,617
PC21 ETM								\$ 63,231	\$ (7)	\$ 63,224
PC24 Aliso Creek Outfall						\$ 131,992	\$ 342,226		\$ (22)	\$ 474,196
Functional Category Total	\$6,053,460	\$5,769,561	\$1,215,910	\$1,268,940	\$2,231,585	\$ 276,992	\$ 673,090	\$ 500,338	\$ 85	\$ 17,989,961

*Rounding values from Fiscal Year 2017-18 Total Operating Budget Report, Approved June 14, 2017

Table 14 Impacts on Expenses by Functional Category After Allocation Changes

	Treatment Plants					Outfalls		Others	PC Total Change
	Solids	Liquids	AWT	C/Solids	C/Liquids	Outfall Flow	Capacity	All Others	
PC2 JB Latham WWTP	\$ (11,029)	\$ 30,168	\$ -	\$ (9,569)	\$ (9,569)	\$ -	\$ -	\$ -	\$ -
PC5 San Juan Creek Outfall	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 164,491	\$ (164,491)	\$ -	\$ -
PC8 Pre-Treatment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
PC12 Recycled Water Permits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
PC15 Coastal WWTP	\$ -	\$ 7,203	\$ 11,824	\$ -	\$ (19,027)	\$ -	\$ -	\$ -	\$ -
PC17 Regional WWTP	\$ (11,885)	\$ 42,939	\$ 9,484	\$ (20,269)	\$ (20,269)	\$ -	\$ -	\$ -	\$ -
PC21 ETM	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
PC24 Aliso Creek Outfall	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 82,584	\$ (82,584)	\$ -	\$ -
Total Functional Category Change	\$ (22,915)	\$ 80,310	\$ 21,308	\$ (29,838)	\$ (48,866)	\$ 247,075	\$ (247,075)	\$ -	\$ -

Key
LESS expenses than current
MORE expenses than current

4.3 Results by Member Agency Budget

The proposed cost allocation methodology revisions have no impact on the total budget for any PC. However, the proposed changes do result in a redistribution of costs among Member Agencies within each PC. Table 15 shows the current budget breakdown by Member Agency and PC for FY 17-18, without any of the proposed changes.

Table 16 shows the proposed budget allocation by agency and PC, after the proposed changes have been applied. Table 17 shows the difference between the two. The total expense impacts for each PC and Member Agency is the result of the proposed changes made to Apportionment Bases and Functional Categories as described in the previous section of this TM. Positive values indicate a decrease in budget charges to a Member Agency, and a negative values are an increase in budget charges.

After the proposed changes, Regional Treatment Plant (PC17) experiences the largest impacts to the distribution of expenses across Member Agencies. The outfalls (PC5 and PC24) also experience large shifts in the distribution of expenses among Member Agencies due to the Apportionment Basis changes that re-distribute many outfall expenses from "Variable" to "Fixed" Functional Categories.

Table 15 Cost Summary by PC Before Allocation Changes (FY18)

Member Agency	PC2 J.B. Latham	PC5 SJCOO	PC8 Pre-Treatment	PC12 Recycled Water Permits	PC15 Coastal	PC17 Regional	PC21 ETM	PC24 ACOO	Total
City of San Juan Capistrano	\$ 1,505,172	\$ 74,716	\$ 14,692	\$ 24,620					\$ 1,619,200
Moulton Niguel Water District	\$ 1,034,700	\$ 75,632	\$ 41,668	\$ 67,800	\$ 275,196	\$ 6,298,376	\$ 11,144	\$ 174,428	\$ 7,978,944
South Coast Water District	\$ 1,311,176	\$ 65,344	\$ 33,684	\$ 27,984	\$ 1,360,664	\$ 358,752		\$ 46,496	\$ 3,204,100
Santa Margarita Water District	\$ 1,838,508	\$ 173,280	\$ 44,136	\$ 74,320					\$ 2,130,244
El Toro Water District			\$ 9,184			\$ 654,264	\$ 26,040	\$ 94,584	\$ 784,072
Irvine Ranch Water District			\$ 18,488	\$ 25,324			\$ 26,040	\$ 92,284	\$ 162,136
City of San Clemente		\$ 86,912	\$ 15,636						\$ 102,548
Trabuco Canyon Water District				\$ 24,824					\$ 24,824
Emerald Bay Service District			\$ 1,956		\$ 55,732	\$ 16,864		\$ 3,080	\$ 77,632
City of Laguna Beach			\$ 12,780		\$ 1,308,796	\$ 521,360		\$ 63,324	\$ 1,906,260
Total PC Budget	\$ 5,689,556	\$ 475,884	\$ 192,224	\$ 244,872	\$ 3,000,388	\$ 7,849,617	\$ 63,224	\$ 474,196	\$ 17,989,961

Table 16 Cost Summary by PC After Allocation Changes (FY18)

Member Agency	PC2 J.B. Latham	PC5 SJCOO	PC8 Pre-Treatment	PC12 Recycled Water Permits	PC15 Coastal	PC17 Regional	PC21 ETM	PC24 ACOO	Total
City of San Juan Capistrano	\$ 1,507,203	\$ 65,674	\$ 14,684	\$ 24,620					\$ 1,612,181
Moulton Niguel Water District	\$ 1,036,853	\$ 76,199	\$ 41,665	\$ 67,798	\$ 280,447	\$ 6,277,327	\$ 11,143	\$ 186,236	\$ 7,977,667
South Coast Water District	\$ 1,311,795	\$ 62,762	\$ 33,685	\$ 27,992	\$ 1,352,853	\$ 363,633		\$ 50,681	\$ 3,203,400
Santa Margarita Water District	\$ 1,833,652	\$ 184,962	\$ 44,135	\$ 74,330					\$ 2,137,079
El Toro Water District			\$ 9,174			\$ 663,230	\$ 26,044	\$ 88,501	\$ 786,950
Irvine Ranch Water District			\$ 18,484	\$ 25,335			\$ 26,044	\$ 86,104	\$ 155,968
City of San Clemente		\$ 86,266	\$ 15,634						\$ 101,901
Trabuco Canyon Water District				\$ 24,832					\$ 24,832
Emerald Bay Service District			\$ 1,954		\$ 56,226	\$ 17,122		\$ 3,299	\$ 78,602
City of Laguna Beach			\$ 12,784		\$ 1,310,863	\$ 528,252		\$ 59,398	\$ 1,911,297
Rounding	\$ 54	\$ 20	\$ 24	\$ (35)	\$ (2)	\$ 53	\$ (7)	\$ (22)	
Total PC Budget	\$ 5,689,556	\$ 475,884	\$ 192,224	\$ 244,872	\$ 3,000,388	\$ 7,849,617	\$ 63,224	\$ 474,196	\$ 17,989,961

*Rounding values from Fiscal Year 2017-18 Total Operating Budget Report, Approved June 14, 2017

Table 17 Total Expense Impact by PC After Allocation Changes (FY18)

Member Agency	PC2 J.B. Latham	PC5 SJCOO	PC8 Pre-Treatment	PC12 Recycled Water Permits	PC15 Coastal	PC17 Regional	PC21 ETM	PC24 ACOO	Total Change	
City of San Juan Capistrano	\$ 2,031	\$ (9,042)	No changes made	No changes made			No changes made		\$ (7,019)	
Moulton Niguel Water District	\$ 2,153	\$ 567			\$ 5,251	\$ (21,049)		\$ 11,808	\$ (1,277)	
South Coast Water District	\$ 619	\$ (2,582)			\$ (7,811)	\$ 4,881		\$ 4,185	\$ (700)	
Santa Margarita Water District	\$ (4,856)	\$ 11,682							\$ 6,835	
El Toro Water District						\$ 8,966		\$ (6,083)	\$ 2,878	
Irvine Ranch Water District								\$ (6,180)	\$ (6,168)	
City of San Clemente		\$ (646)							\$ (647)	
Trabuco Canyon Water District									\$ 8	
Emerald Bay Service District						\$ 494		\$ 258	\$ 219	\$ 970
City of Laguna Beach						\$ 2,067		\$ 6,891	\$ (3,926)	\$ 5,037
Change in Total PC Budget	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

Key	
	Member agency owes LESS than original allocation
	Member agency owes MORE than original allocation

Appendix A

FY 2017-18 BUDGET ASSUMPTIONS

Exhibits A through H summarize the cost apportionment assumptions from the FY17-18 Budget Book. Each PC has different apportionment methods as described in the FY17-18 Budget Book to apportion costs to the Member Agencies. The applicable functional categories are specific to the processes that occur within each PC.

Exhibit A PC2 (J.B. Latham Treatment Plant) Apportionment Assumptions

		PC2 Latham WWTP				
		FY17-18 Budget Use Projections			FY17-18 Ownership	
Member Agency	Abbrev.	Solids	Liquids	A/W	C/Solids	C/Liquids
City of San Juan Capistrano	CSJC	23.82%	27.50%		30.00%	30.77%
Moulton Niguel Water District	MNWD	15.24%	19.49%		21.62%	23.08%
South Coast Water District	SCWD	21.73%	23.91%		20.00%	28.84%
Santa Margarita Water District	SMWD	39.21%	29.10%		28.38%	17.31%
El Toro Water District	ETWD					
Irvine Ranch Water District	IRWD					
City of San Clemente	CSC					
Trabuco Canyon Water District	TCWD					
Emerald Bay Service District	EBS					
City of Laguna Beach	CLB					
Total		100%	100%		100%	100%

Exhibit B PC5 (SJCOO) Apportionment Assumptions

		PC5 San Juan Creek Ocean Outfall	
		FY17-18 Budget Use	
		Projections	FY17-18 Ownership
Member Agency	Abbrev.	Outfall Flow	Capacity
City of San Juan Capistrano	CSJC	18.56%	11.08%
Moulton Niguel Water District	MNWD	16.13%	15.51%
South Coast Water District	SCWD	14.51%	12.47%
Santa Margarita Water District	SMWD	31.52%	44.32%
El Toro Water District	ETWD		
Irvine Ranch Water District	IRWD		
City of San Clemente	CSC	19.28%	16.62%
Trabuco Canyon Water District	TCWD		
Emerald Bay Service District	EBSD		
City of Laguna Beach	CLB		
Total		100%	100%

Exhibit C PC8 (Pre-Treatment) Apportionment Assumptions

		PC8 Pre-Treatment	
		FY17-18 Ownership	
Member Agency	Abbrev.	Timecard	Insurance
City of San Juan Capistrano	CSJC	7.60%	11.11%
Moulton Niguel Water District	MNWD	21.80%	11.11%
South Coast Water District	SCWD	17.60%	11.11%
Santa Margarita Water District	SMWD	23.10%	11.11%
El Toro Water District	ETWD	4.70%	11.11%
Irvine Ranch Water District	IRWD	9.60%	11.11%
City of San Clemente	CSC	8.10%	11.11%
Trabuco Canyon Water District	TCWD		
Emerald Bay Service District	EBSD	0.90%	11.11%
City of Laguna Beach	CLB	6.60%	11.11%
Total		100%	100%

Exhibit D PC12 (Recycled Water Permits) Apportionment Assumptions

		PC12 Recycled Water Permits	
		FY17-18 Budget Use Projections	FY17-18 Ownership
Member Agency	Abbrev.	Recycled Water Permits	Equally
City of San Juan Capistrano	CSJC	3.44%	16.67%
Moulton Niguel Water District	MNWD	38.70%	16.67%
South Coast Water District	SCWD	6.19%	16.67%
Santa Margarita Water District	SMWD	44.03%	16.67%
El Toro Water District	ETWD		
Irvine Ranch Water District	IRWD	4.02%	16.67%
City of San Clemente	CSC		
Trabuco Canyon Water District	TCWD	3.61%	16.67%
Emerald Bay Service District	EBSD		
City of Laguna Beach	CLB		
Total		100%	100%

Exhibit E PC 15 (Coastal Treatment Plant) Apportionment Assumptions

		PC15 Coastal WWTP			
		FY17-18 Budget Use Projections			FY17-18 Ownership
Member Agency	Abbrev.	Solids	Liquids	AWT	C/Liquids
City of San Juan Capistrano	CSJC				
Moulton Niguel Water District	MNWD		-	-	29.2%
South Coast Water District	SCWD		41.8%	100.0%	29.9%
Santa Margarita Water District	SMWD				
El Toro Water District	ETWD				
Irvine Ranch Water District	IRWD				
City of San Clemente	CSC				
Trabuco Canyon Water District	TCWD				
Emerald Bay Service District	EBSD		1.6%	-	3.0%
City of Laguna Beach	CLB		56.6%	-	37.9%
Total			100%	100%	100%

Exhibit F PC17 (Regional Treatment Plant) Apportionment Assumptions

		PC17 Regional WWTP				
		FY17-18 Budget Use Projections			FY17-18 Ownership	
Member Agency	Abbrev.	Solids	Liquids	AWT	C/Solids	C/Liquids
City of San Juan Capistrano	CSJC					
Moulton Niguel Water District	MNWD	63.58%	99.54%	100.00%	58.82%	100.00%
South Coast Water District	SCWD	8.53%	0.10%	-	8.96%	-
Santa Margarita Water District	SMWD					
El Toro Water District	ETWD	14.80%	0.19%	-	20.41%	-
Irvine Ranch Water District	IRWD					
City of San Clemente	CSC					
Trabuco Canyon Water District	TCWD					
Emerald Bay Service District	EBS	0.37%	0.01%	-	0.59%	-
City of Laguna Beach	CLB	12.72%	0.16%	-	11.22%	-
Total		100%	100%	100%	100%	100%

Exhibit G PC21 (Effluent Transmission Main) Apportionment Assumptions

		PC21 Effluent Transmission Main	
		FY17-18 Budget Ownership	
Member Agency	Abbrev.	Reach B/C/D	Reach E
City of San Juan Capistrano	CSJC		
Moulton Niguel Water District	MNWD	-	53.4%
South Coast Water District	SCWD		
Santa Margarita Water District	SMWD		
El Toro Water District	ETWD	50.0%	23.3%
Irvine Ranch Water District	IRWD	50.0%	23.3%
City of San Clemente	CSC		
Trabuco Canyon Water District	TCWD		
Emerald Bay Service District	EBS		
City of Laguna Beach	CLB		
Total		100%	100%

Exhibit H PC24 (ACCO) Apportionment Assumptions

		PC24 Aliso Creek Ocean Outfall			
Member Agency	Abbrev.	FY17-18 Budget Use Projections		FY17-18 Ownership	
		Solids	Outfall Flow	AWT	Capacity
City of San Juan Capistrano	CSJC				
Moulton Niguel Water District	MNWD		27.4%		43.8%
South Coast Water District	SCWD		6.5%		12.3%
Santa Margarita Water District	SMWD				
El Toro Water District	ETWD		24.8%		16.3%
Irvine Ranch Water District	IRWD		24.4%		15.8%
City of San Clemente	CSC				
Trabuco Canyon Water District	TCWD				
Emerald Bay Service District	EBSD		0.5%		0.8%
City of Laguna Beach	CLB		16.5%		11.0%
	Total		100%		100%

Appendix B

COST APPORTIONMENT BASES

Exhibits I, J, and K provide the proposed revised cost allocation bases specific to each PC.

Exhibit I Allocation Bases for PC2, PC5, and PC8

Apportionment Basis	PC2 Latham WWTP					PC5 San Juan Creek Ocean Outfall				PC8 Pre-Treatment	
	Solids	Liquids	AWT	C/Solids	C/Liquids	Solids	Outfall Flows	AWT	Capacity	Timecard	Insurance
Labor - Actual Use (Dept 1)	42.2%	48.4%		4.7%	4.7%					100.0%	-
Labor - Actual Use (Dept 2)	14.8%	55.0%		15.1%	15.1%					100.0%	-
Labor - Allocation (Dept 1)	42.2%	48.4%		4.7%	4.7%					100.0%	-
Labor - Allocation (Dept 2)	14.8%	55.0%		15.1%	15.1%					100.0%	-
Labor - Overtime (Dept 1)	42.2%	48.4%		4.7%	4.7%					100.0%	-
Labor - Overtime (Dept 2)	14.8%	55.0%		15.1%	15.1%					100.0%	-
Actual Use - Bills Coded	-	-		50.0%	50.0%					100.0%	-
Common	-	-		50.0%	50.0%					100.0%	-
Solids	100.0%	-		-	-					100.0%	-
Liquids	-	100.0%		-	-					100.0%	-
AWT										100.0%	-
Outfall - Fixed							-		100.0%		
Outfall - Variable							100.0%		-		
ETM											
Electricity	25.0%	65.0%		5.0%	5.0%						
Natural Gas	25.0%	65.0%		5.0%	5.0%						
Potable & Reclaimed Water	50.0%	40.0%		5.0%	5.0%						
Chlorine/Sodium Hypochlorite	-	100.0%		-	-						
Polymer Products	20.0%	80.0%		-	-						
Ferric Chloride	100.0%	-		-	-						
Odor Control Chemicals	46.0%	54.0%		-	-						
Laboratory	25.0%	75.0%		-	-					100.0%	-
Petroleum Products	20.0%	80.0%		-	-						
Recycled Water Permits											
Insurance										-	100.0%

Exhibit J Allocation Bases for PC12, PC15, and PC17

Apportionment Basis	PC12 Recycled Water Permits		PC15 Coastal WWTP				PC17 Regional WWTP				
	Recycled Water Permits	Equally	Solids	Liquids	AWT	C/Liquids	Solids	Liquids	AWT	C/Solids	C/Liquids
Labor - Actual Use (Dept 1)	50.0%	50.0%	62.5%	13.0%		24.5%	48.0%	37.5%	8.4%	3.1%	3.1%
Labor - Actual Use (Dept 2)	50.0%	50.0%	54.3%	22.8%		22.9%	11.0%	41.5%	32.7%	7.4%	7.4%
Labor - Allocation (Dept 1)	50.0%	50.0%	62.5%	13.0%		24.5%	48.0%	37.5%	8.4%	3.1%	3.1%
Labor - Allocation (Dept 2)	50.0%	50.0%	54.3%	22.8%		22.9%	11.0%	41.5%	32.7%	7.4%	7.4%
Labor - Overtime (Dept 1)	50.0%	50.0%	62.5%	13.0%		24.5%	48.0%	37.5%	8.4%	3.1%	3.1%
Labor - Overtime (Dept 2)	50.0%	50.0%	54.3%	22.8%		22.9%	11.0%	41.5%	32.7%	7.4%	7.4%
Actual Use - Bills Coded			-	-		100.0%	-	-	-	50.0%	50.0%
Common			-	-		100.0%	-	-	-	50.0%	50.0%
Solids							100.0%	-	-	-	-
Liquids			100.0%	-		-	-	100.0%	-	-	-
AWT			-	100.0%		-	-	-	100.0%	-	-
Outfall - Fixed											
Outfall - Variable											
ETM											
Electricity			100.0%	-		-	32.8%	51.5%	5.0%	5.4%	5.4%
Natural Gas			50.0%	-		50.0%	100.0%	-	-	-	-
Potable & Reclaimed Water			90.0%	-		10.0%	56.5%	37.0%	-	-	6.5%
Chlorine/Sodium Hypochlorite			1.0%	99.0%		-	-	4.0%	96.0%	-	-
Polymer Products			43.0%	57.0%		-	82.2%	17.5%	0.3%	-	-
Ferric Chloride			100.0%	-		-	100.0%	-	-	-	-
Odor Control Chemicals			100.0%	-		-	35.0%	65.0%	-	-	-
Laboratory			50.0%	50.0%		-	25.0%	50.0%	25.0%	-	-
Petroleum Products			100.0%	-		-	92.6%	7.4%	-	-	-
Recycled Water Permits	50.0%	50.0%									
Insurance											

Exhibit K Allocation Bases for PC21 and PC24

Apportionment Basis	PC21 Effluent Transmission Main		PC24 Aliso Creek Ocean Outfall			
	Reach B/C/D	Reach E	Solids	Outfall Flows	AWT	Capacity
Labor - Actual Use (Dept 1)	67.0%	33.0%				
Labor - Actual Use (Dept 2)	67.0%	33.0%				
Labor - Allocation (Dept 1)	67.0%	33.0%				
Labor - Allocation (Dept 2)	67.0%	33.0%				
Labor - Overtime (Dept 1)						
Labor - Overtime (Dept 2)						
Actual Use - Bills Coded						
Common						
Solids						
Liquids						
AWT						
Outfall - Fixed						
Outfall - Variable				-		100%
ETM	67.0%	33.0%		100%		-
Electricity						
Natural Gas						
Potable & Reclaimed Water						
Chlorine/Sodium Hypochlorite						
Polymer Products						
Ferric Chloride						
Odor Control Chemicals						
Laboratory						
Petroleum Products						
Recycled Water Permits						
Insurance						