

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

**November 12, 2019
10:30 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 **November 12, 2019 at 10:30 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) HOURS 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.

4. Approval of Minutes

- Finance Committee Meeting Minutes of September 3, 2019

Recommended Action:

Staff recommends the Finance Committee to approve minutes as submitted.

5. Financial Reports for the Month of July 2019

- a) Summary of Disbursement for July 2019 (Exhibit A)
- b) Schedule of Funds Available for Reinvestment (Exhibit B)
- c) Local Agency Investment Fund (LAIF)
- d) Schedule of Cash and Investments (Exhibit C)

Recommended Action:

Staff recommends that the Finance Committee recommend the Board of Directors to ratify the July 2019 disbursements for the period from July 1, 2019, through July 31, 2019, totaling \$3,497,969, and to receive and file the July 2019 Cash Reports as submitted.

6. Financial Reports for the Month of August 2019

- a) Summary of Disbursement for August 2019 (Exhibit A)
- b) Schedule of Funds Available for Reinvestment (Exhibit B)
- c) Local Agency Investment Fund (LAIF)
- d) Schedule of Cash and Investments (Exhibit C)

Recommended Action:

Staff recommends that the Finance Committee recommend the Board of Directors to ratify the August 2019 disbursements for the period from August 1, 2019, through August 31, 2019, totaling \$2,189,220, and to receive and file the August 2019 Cash Reports as submitted.

7. Financial Reports for the Month of September 2019

- a) Summary of Disbursement for September 2019 (Exhibit A)
- b) Schedule of Funds Available for Reinvestment (Exhibit B)
- c) Local Agency Investment Fund (LAIF)
- d) Schedule of Cash and Investments (Exhibit C)
- e) Budget vs. Actual Capital Spending YTD (Exhibit D)
- f) Capital Graph-Budget vs. Actual Spending Year-to Date (Exhibit D-1)
- g) Budget vs. Actual Expenses Year -to Date
 - Operations and Environmental Summary (Exhibit E-1)
 - Operations and Environmental by PC (E-1.2)
 - Residual Engineering, after transfer to Capital (Exhibit E-2)
 - Administration (Exhibit E-3)
 - Information Technology (IT) (Exhibit E-4)

November 12, 2019

Recommended Action:

Staff recommends that the Finance Committee recommend the Board of Directors to ratify the September 2019 disbursements for the period from September 1, 2019, through September 30, 2019, totaling \$1,927,835, and to receive and file the September 2019 Cash Reports as submitted.

8. Draft Comprehensive Annual Financial Report (CAFR) for the Fiscal Years ended June 30, 2019 (enclosed under separate cover), including:

- Independent Auditors Report
- Supplemental Financial Statements by Project Committee and Member Agency for Fiscal Year Ended June 30, 2019

Recommended Action:

- 1) The Finance Committee to provide comments to the Draft CAFR and recommend to the Board of Directors approval of the CAFR including the Independent Audit Report for Fiscal Year ended June 30, 2019; and
- 2) The Finance Committee recommends to the Board of Directors to receive and file the Supplemental Financial Statements for Fiscal Year ended June 30, 2019.

9. Draft Use Audit FY 2018-19 Budget vs. Actual including Cash Roll Forward as of June 30, 2019:

- Management Discussion and Analysis (MD&A) for Use Audit
- Assets Placed in Service FY 2018-19
- Cash Roll Forward Notes
- Large Capital Cash Reconciliation to Net Position
- Cash Roll Forward for Fiscal Year Ended June 30, 2019; Large Capital, Small Capital and Non-Capital

Recommended Action:

- 1) The Finance Committee recommends to the Board of Directors approval of the 2018-19 Use Audit and collection from and payments to SOCWA member agencies consistent with the results of the Use Audit as presented; and
- 2) The Finance Committee recommends to the Board of Directors to receive and file the Cash Roll Forward as of June 30, 2019.

10. Q1 FY 2019-20; Cash Roll Forward as of September 30, 2019 including:

- Cash Roll Forward Notes
- Large Capital Cash Reconciliation to General Ledger (GL)
- Cash Roll Forward for Large Capital, Small Capital, Non-Capital and Non-Capital Misc.

Recommended Action:

Staff recommends the Finance Committee recommend the Board to receive and file the Q1 Fiscal Year 2019-20 Cash Roll Forward as submitted.

11. Fiscal Year 2018-19 Supplemental Financial Statements

Recommended Action:

Staff recommends to the Finance Committee to review the Supplemental Financial Statements and Management Discussion and Analysis and recommend to the Board of Directors to receive and file.

12. Uniform Purchasing Policy and Procedures Update

Recommended Action:

Staff recommends Finance Committee recommends to the Board of Directors approval of the updated Uniform Purchasing Policy and Procedures.

13. 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 7th day of November 2019.



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

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

DRAFT

Finance Committee

September 3, 2019

The Regular Meeting of the South Orange County Wastewater Authority (SOCWA) Finance Committee Meeting was held on September 3, 2019, 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	Director
ROBB GRANTHAM	Santa Margarita Water District	Alternate Director
RAY MILLER	City of San Juan Capistrano	Alternate Director
MATT COLLINGS	Moulton Niguel Water District	Alternate Director
DENNIS CAFFERTY	El Toro Water District	Alternate Director

Absent:

TONI ISEMAN	City of Laguna Beach
BETTY BURNETT	General Manager

Staff Present:

MARY CAREY	Finance Controller
JASON MANNING	Director of Engineering
JIM BURROR	Director of Operations
AMBER BAYLOR	Director of Environmental Compliance
DINA ASH	Human Resource Administrator
KONSTANTIN SHILKOV	Senior Accountant
NADYN KIM	Accountant
ANNA SUTHERLAND	Accounts Payable
DANITA HIRSH	Administrative Assistant

Also Present:

TRACIE STENDER	Procopio Law Firm
NEELY SHAHBAKTI	El Toro Water District
TREVOR AGRELIUS	Moulton Niguel Water District
GAVIN CURRAN	City of Laguna Beach

1. Call Meeting to Order

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

2. Pledge of Allegiance – Director Collings

3. Public Comments – None

4. Approval of Minutes

- Finance Committee Meeting Minutes of April 9, 2019; and
- Finance Committee Meeting Minutes of August 20, 2019

ACTION TAKEN

Motion was made by Director Miller and seconded by Director Grantham to approve Finance Committee Minutes for April 9, 2019; and August 20, 2019 as submitted.

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

5. SOCWA 457b Plan Improvements

Ms. Burnett updated the Finance Committee on the progress status of updating SOCWA's existing 457b plan. An open discussion ensued.

ACTION TAKEN

Motion was made by Director Grantham and seconded by Director Miller to recommend the Board of Directors approve the SOCWA 457b Plan document and authorize the General Manager to enter into the requisite service agreements with Nationwide Private in a form approved by counsel and retain Wells Fargo Advisory Services to provide Plan Advisory Services.

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

6. Annual Financial Statements Audit FY2018-19 - Progress

Ms. Carey gave an update to the Finance Committee on the progress status of the Annual Financial Statements Audit for FY2018-19.

ACTION TAKEN

Motion was made by Director Miller and seconded by Director Erdman to recommend the Board of Directors receive and file the report.

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

7. Adjournment

There being no further business, Chairperson Erdman adjourned the meeting at 10:58 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 September 3, 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

Finance Committee Meeting

Meeting Date: November 12, 2019

TO: Finance Committee
FROM: Betty Burnett, General Manager
STAFF CONTACT: Mary Carey, Finance Controller
SUBJECT: Financial Reports for the Month of July 2019

Summary/Discussion

The following selected financial reports are routinely provided monthly to the Finance Committee for recommendation to the Board of Directors to ratify Cash Disbursements and receive and file the remaining documents.

- a) Summary of Disbursements for July 2019 (Exhibit A)
- b) Schedule of Funds Available for Reinvestment (Exhibit B)
- c) Local Agency Investment Fund (LAIF)
- d) Schedule of Cash and Investments (Exhibit C)

For Budget vs. Actual Expenses, Capital Spending Year-to-Date and Capital Graph Budget vs. Actual Spending Year-to-Date please refer to financial report for the month of September 2019.

Fiscal impact

July 2019 cash disbursements were: \$3,497,969. Increase primarily due to UAL Annual Lump Sum payment of \$867 thousand.

- Monthly disbursements are summarized in the attached Exhibit A.
- The attached Exhibits B, C and LAIF are informational reports only.

Recommended Action:

Staff recommends that the Finance Committee recommend the Board of Directors to ratify the July 2019 disbursements for the period from July 1, 2019, through July 31, 2019, totaling \$3,497,969, and to receive and file the July 2019 Cash Reports as submitted.

Exhibit A

**South Orange County Wastewater Authority
Summary of Disbursements for July 2019
Staff Recommendation of Fiscal Matters**

	<u>Actual</u>
General Fund	(1,434,829)
PC 2 - Jay B. Latham Plant	(682,259)
PC 3 - SOCWA Plant/PCA AWT	-
PC 5 - San Juan Creek Ocean Outfall	(20,366)
PC 8 - Pretreatment Program	(8,448)
PC 12 SO - Water Reclamation Permits	(37,589)
PC 15 - Coastal Treatment Plant/AWT	(499,836)
PC 17 - Joint Regional Wastewater Reclamation	(772,362)
PC 21 - Effluent Transmission Main	(27,761)
PC 24 - Aliso Creek Ocean Outfall	(14,518)
Total	<u><u>(\$3,497,969)</u></u>

*Increase primarily due to UAL Annual Lump Sum payment of \$867 thousand

**SOUTH ORANGE COUNTY WASTEWATER AUTHORITY
SCHEDULE OF FUNDS AVAILABLE FOR REINVESTMENT
as of July 31, 2019**

CASH IN BANK: (BEGINNING BAL.)	999,536
L.A.I.F. FUNDS: (BEGINNING BAL.)	19,855,958
DEPOSITS, TRANSFERS & ADJUSTMENTS:	3,066,231
FUND REQUIREMENTS:	
BILLS FOR CONSIDERATION	<u>(3,497,969)</u>
	<u>\$ 20,423,756</u>

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

In accordance with requirements of the Government Code and the "SOCWA Investment Policy",

I hereby certify that:

- 1). All investment actions executed since the last report have been made in full compliance with the Investment Policy.

- 2). SOCWA does not have sufficient funds currently on hand to meet its expenditure obligations for the next six months (see note) due to the fact that SOCWA bills and receives operational funds on a quarterly basis only.

Betty Burnett
General Manager

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



CALIFORNIA STATE TREASURER FIONA MA, CPA



PMIA Performance Report

Date	Daily Yield*	Quarter to Date Yield	Average Maturity (in days)
09/09/19	2.31	2.35	177
09/10/19	2.30	2.35	176
09/11/19	2.30	2.35	176
09/12/19	2.29	2.35	179
09/13/19	2.29	2.35	179
09/14/19	2.29	2.35	179
09/15/19	2.29	2.35	179
09/16/19	2.28	2.35	182
09/17/19	2.27	2.35	188
09/18/19	2.27	2.35	187
09/19/19	2.27	2.35	186
09/20/19	2.26	2.35	185
09/21/19	2.26	2.34	185
09/22/19	2.26	2.34	185
09/23/19	2.26	2.34	186
09/24/19	2.26	2.34	185
09/25/19	2.25	2.34	184
09/26/19	2.25	2.34	186
09/27/19	2.25	2.34	187
09/28/19	2.25	2.34	187
09/29/19	2.25	2.34	187
09/30/19	2.25	2.34	185
10/01/19	2.22	2.22	200
10/02/19	2.22	2.22	200
10/03/19	2.21	2.22	198
10/04/19	2.21	2.22	198
10/05/19	2.21	2.21	198
10/06/19	2.21	2.21	198
10/07/19	2.21	2.21	197
10/08/19	2.21	2.21	197
10/09/19	2.21	2.21	196

*Daily yield does not reflect capital gains or losses

[View Prior Month Daily Rates](#)

LAIF Performance Report

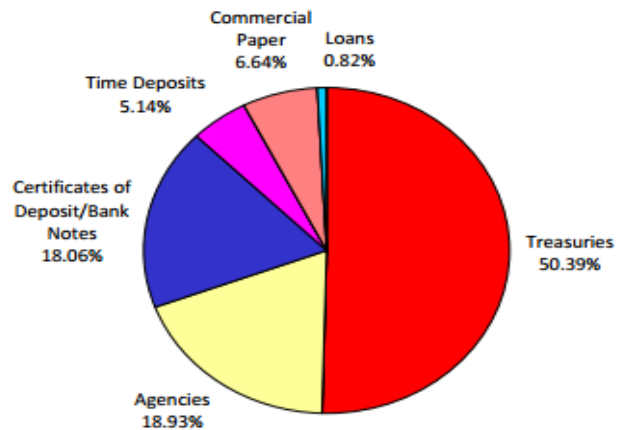
Quarter Ending 06/30/19

Apportionment Rate: 2.57
 Earnings Ratio: .00007028813234525
 Fair Value Factor: 1.001711790
 Daily: 2.39%
 Quarter to Date: 2.44%
 Average Life: 173

PMIA Average Monthly Effective Yields

Sep 2019 2.280
 Aug 2019 2.341
 July 2019 2.379

Pooled Money Investment Account Portfolio Composition 08/31/19 \$94.8 billion



Percentages may not total 100% due to rounding

Notes: The apportionment rate includes interest earned on the CalPERS Supplemental Pension Payment pursuant to Government Code 20825 (c)(1)

Based on data available as of 10/09/2019

Exhibit C

**South Orange County Wastewater Authority
Schedule of Cash and Investments
as of July 31, 2019**

MVA	\$ 1,115,402	(A)
A/P Checking	166,485	(B)
Payroll Checking	366,965	(C)
State LAIF	18,774,905	(D)
Total Cash in Bank	\$ 20,423,756	
Petty Cash	1,600	(E)
Total Operating Cash	\$ 20,425,356	
OPEB Trust	5,169,172	(F)
Total Cash and Investments	\$ 25,594,529	

Notes:

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

Agenda Item

6

Finance Committee Meeting

Meeting Date: November 12, 2019

TO: Finance Committee
FROM: Betty Burnett, General Manager
STAFF CONTACT: Mary Carey, Finance Controller
SUBJECT: Financial Reports for the Month of August 2019

Summary/Discussion

The following selected financial reports are routinely provided monthly to the Finance Committee for recommendation to the Board of Directors to ratify Cash Disbursements and receive and file the remaining documents.

- a) Summary of Disbursements for August 2019 (Exhibit A)
- b) Schedule of Funds Available for Reinvestment (Exhibit B)
- c) Local Agency Investment Fund (LAIF)
- d) Schedule of Cash and Investments (Exhibit C)

For Budget vs. Actual Expenses, Capital Spending Year-to-Date and Capital Graph Budget vs. Actual Spending Year-to-Date please refer to financial report for the month of September 2019.

Fiscal impact

August 2019 cash disbursements were: \$2,189,220.

- Monthly disbursements are summarized in the attached Exhibit A.
- The attached Exhibits B, C and LAIF are informational reports only.

Recommended Action:

Staff recommends that the Finance Committee recommend the Board of Directors to ratify the August 2019 disbursements for the period from August 1, 2019, through August 31, 2019, totaling \$2,189,220, and to receive and file the August 2019 Cash Reports as submitted.

Exhibit A

**South Orange County Wastewater Authority
Summary of Disbursements for August 2019
Staff Recommendation of Fiscal Matters**

	Actual
General Fund	(779,787)
PC 2 - Jay B. Latham Plant	(465,078)
PC 3 - SOCWA Plant/PCA AWT	-
PC 5 - San Juan Creek Ocean Outfall	(27,228)
PC 8 - Pretreatment Program	(8,394)
PC 12 SO - Water Reclamation Permits	(16,452)
PC 15 - Coastal Treatment Plant/AWT	(197,674)
PC 17 - Joint Regional Wastewater Reclamation	(647,255)
PC 21 - Effluent Transmission Main	(21,729)
PC 24 - Aliso Creek Ocean Outfall	(25,622)
Total	<u>(\$2,189,220)</u>

**SOUTH ORANGE COUNTY WASTEWATER AUTHORITY
SCHEDULE OF FUNDS AVAILABLE FOR REINVESTMENT
as of August 31, 2019**

CASH IN BANK: (BEGINNING BAL.)	1,648,852
L.A.I.F. FUNDS: (BEGINNING BAL.)	18,774,905
DEPOSITS, TRANSFERS & ADJUSTMENTS:	1,342,997
FUND REQUIREMENTS:	
BILLS FOR CONSIDERATION	<u>(2,189,220)</u>
	<u><u>\$ 19,577,534</u></u>

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

In accordance with requirements of the Government Code and the "SOCWA Investment Policy",

I hereby certify that:

- 1). All investment actions executed since the last report have been made in full compliance with the Investment Policy.

- 2). SOCWA does not have sufficient funds currently on hand to meet its expenditure obligations for the next six months (see note) due to the fact that SOCWA bills and receives operational funds on a quarterly basis only.

Betty Burnett
General Manager

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



CALIFORNIA STATE TREASURER **FIONA MA, CPA**



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Date	Daily Yield*	Quarter to Date Yield	Average Maturity (in days)
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09/15/19	2.29	2.35	179
09/16/19	2.28	2.35	182
09/17/19	2.27	2.35	188
09/18/19	2.27	2.35	187
09/19/19	2.27	2.35	186
09/20/19	2.26	2.35	185
09/21/19	2.26	2.34	185
09/22/19	2.26	2.34	185
09/23/19	2.26	2.34	186
09/24/19	2.26	2.34	185
09/25/19	2.25	2.34	184
09/26/19	2.25	2.34	186
09/27/19	2.25	2.34	187
09/28/19	2.25	2.34	187
09/29/19	2.25	2.34	187
09/30/19	2.25	2.34	185
10/01/19	2.22	2.22	200
10/02/19	2.22	2.22	200
10/03/19	2.21	2.22	198
10/04/19	2.21	2.22	198
10/05/19	2.21	2.21	198
10/06/19	2.21	2.21	198
10/07/19	2.21	2.21	197
10/08/19	2.21	2.21	197
10/09/19	2.21	2.21	196

*Daily yield does not reflect capital gains or losses

[View Prior Month Daily Rates](#)

LAIF Performance Report

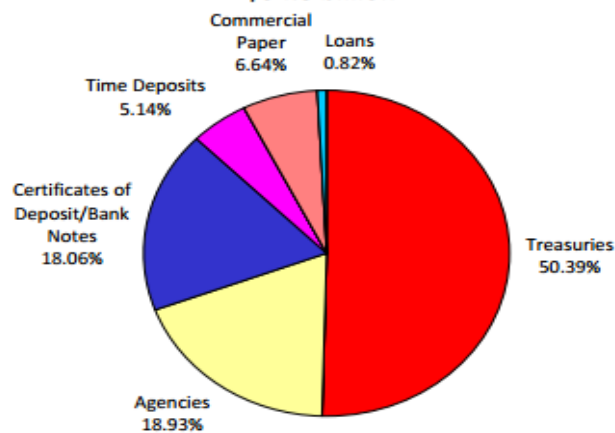
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 Earnings Ratio: .00007028813234525
 Fair Value Factor: 1.001711790
 Daily: 2.39%
 Quarter to Date: 2.44%
 Average Life: 173

PMIA Average Monthly Effective Yields

Sep 2019 2.280
 Aug 2019 2.341
 July 2019 2.379

Pooled Money Investment Account Portfolio Composition 08/31/19 \$94.8 billion



Percentages may not total 100% due to rounding

Notes: The apportionment rate includes interest earned on the CalPERS Supplemental Pension Payment pursuant to Government Code 20825 (c)(1)

Based on data available as of 10/09/2019

Exhibit C

**South Orange County Wastewater Authority
Schedule of Cash and Investments
as of August 31, 2019**

MVA	\$ 4,972	(A)
A/P Checking	524,312	(B)
Payroll Checking	123,345	(C)
State LAIF	18,924,905	(D)
Total Cash in Bank	\$ 19,577,534	
Petty Cash	1,600	(E)
Total Operating Cash	\$ 19,579,134	
OPEB Trust	5,115,158	(F)
Total Cash and Investments	\$ 24,694,291	

Notes:

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

Agenda Item

7

Finance Committee Meeting

Meeting Date: November 12, 2019

TO: Finance Committee
FROM: Betty Burnett, General Manager
STAFF CONTACT: Mary Carey, Finance Controller
SUBJECT: Financial Reports for the Month of September 2019

Summary/Discussion

The following selected financial reports are routinely provided monthly to the Finance Committee for recommendation to the Board of Directors to ratify Cash Disbursements and receive and file the remaining documents.

- a) Summary of Disbursements for September 2019 (Exhibit A)
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- f) Capital Graph-Budget vs. Actual Spending Year-to-Date (Exhibit D-1)
- g) Budget vs. Actual Expenses Year-to-Date:
 - Operations and Environmental Summary (Exhibit E-1)
 - Operations and Environmental by PC (E-1.2)
 - Residual Engineering, after transfer to Capital (Exhibit E-2)
 - Administration (Exhibit E-3)
 - Information Technology (IT) (Exhibit E-4)

Fiscal impact

September 2019 cash disbursements were: \$1,927,835.

- Monthly disbursements are summarized in the attached Exhibit A.
- The attached Exhibits B, C, D, and E are informational reports only.

Recommended Action:

Staff recommends that the Finance Committee recommend the Board of Directors to ratify the September 2019 disbursements for the period from September 1, 2019, through September 30, 2019, totaling \$1,927,835, and to receive and file the September 2019 Cash Reports as submitted.

Exhibit A

**South Orange County Wastewater Authority
Summary of Disbursements for September 2019
Staff Recommendation of Fiscal Matters**

	<u>Actual</u>
General Fund	(400,162)
PC 2 - Jay B. Latham Plant	(438,006)
PC 3 - SOCWA Plant/PCA AWT	-
PC 5 - San Juan Creek Ocean Outfall	(14,322)
PC 8 - Pretreatment Program	(8,754)
PC 12 SO - Water Reclamation Permits	(14,926)
PC 15 - Coastal Treatment Plant/AWT	(305,788)
PC 17 - Joint Regional Wastewater Reclamation	(694,688)
PC 21 - Effluent Transmission Main	(22,914)
PC 24 - Aliso Creek Ocean Outfall	(28,273)
Total	<u><u>(\$1,927,835)</u></u>

**SOUTH ORANGE COUNTY WASTEWATER AUTHORITY
SCHEDULE OF FUNDS AVAILABLE FOR REINVESTMENT
as of September 30, 2019**

CASH IN BANK: (BEGINNING BAL.)	652,629
L.A.I.F. FUNDS: (BEGINNING BAL.)	18,924,905
DEPOSITS, TRANSFERS & ADJUSTMENTS:	7,309,390
FUND REQUIREMENTS:	
BILLS FOR CONSIDERATION	<u>(1,927,835)</u>
	<u><u>\$ 24,959,088</u></u>

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

In accordance with requirements of the Government Code and the "SOCWA Investment Policy",

I hereby certify that:

- 1). All investment actions executed since the last report have been made in full compliance with the Investment Policy.

- 2). SOCWA does not have sufficient funds currently on hand to meet its expenditure obligations for the next six months (see note) due to the fact that SOCWA bills and receives operational funds on a quarterly basis only.

Betty Burnett
General Manager

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



CALIFORNIA STATE TREASURER FIONA MA, CPA



PMIA Performance Report

Date	Daily Yield*	Quarter to Date Yield	Average Maturity (in days)
09/09/19	2.31	2.35	177
09/10/19	2.30	2.35	176
09/11/19	2.30	2.35	176
09/12/19	2.29	2.35	179
09/13/19	2.29	2.35	179
09/14/19	2.29	2.35	179
09/15/19	2.29	2.35	179
09/16/19	2.28	2.35	182
09/17/19	2.27	2.35	188
09/18/19	2.27	2.35	187
09/19/19	2.27	2.35	186
09/20/19	2.26	2.35	185
09/21/19	2.26	2.34	185
09/22/19	2.26	2.34	185
09/23/19	2.26	2.34	186
09/24/19	2.26	2.34	185
09/25/19	2.25	2.34	184
09/26/19	2.25	2.34	186
09/27/19	2.25	2.34	187
09/28/19	2.25	2.34	187
09/29/19	2.25	2.34	187
09/30/19	2.25	2.34	185
10/01/19	2.22	2.22	200
10/02/19	2.22	2.22	200
10/03/19	2.21	2.22	198
10/04/19	2.21	2.22	198
10/05/19	2.21	2.21	198
10/06/19	2.21	2.21	198
10/07/19	2.21	2.21	197
10/08/19	2.21	2.21	197
10/09/19	2.21	2.21	196

*Daily yield does not reflect capital gains or losses

[View Prior Month Daily Rates](#)

LAIF Performance Report

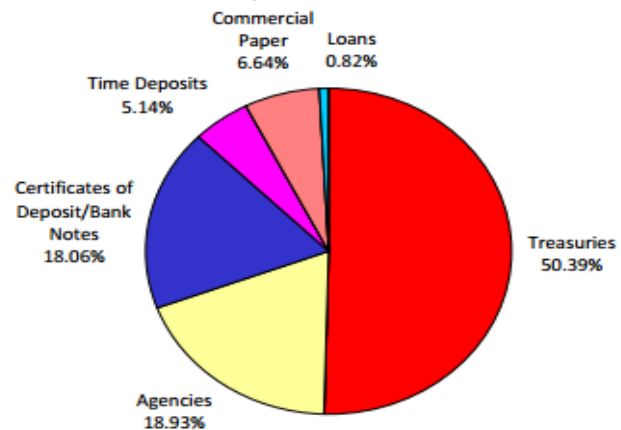
Quarter Ending 06/30/19

Apportionment Rate: 2.57
 Earnings Ratio: .00007028813234525
 Fair Value Factor: 1.001711790
 Daily: 2.39%
 Quarter to Date: 2.44%
 Average Life: 173

PMIA Average Monthly Effective Yields

Sep 2019 2.280
 Aug 2019 2.341
 July 2019 2.379

Pooled Money Investment Account Portfolio Composition 08/31/19 \$94.8 billion



Percentages may not total 100% due to rounding

Notes: The apportionment rate includes interest earned on the CalPERS Supplemental Pension Payment pursuant to Government Code 20825 (c)(1)

Based on data available as of 10/09/2019

Exhibit C

**South Orange County Wastewater Authority
Schedule of Cash and Investments
as of September 30, 2019**

MVA	\$ 5,324	(A)
A/P Checking	584,947	(B)
Payroll Checking	120,913	(C)
State LAIF	24,247,905	(D)
Total Cash in Bank	\$ 24,959,088	
Petty Cash	1,600	(E)
Total Operating Cash	\$ 24,960,688	
OPEB Trust	5,159,724	(F)
Total Cash and Investments	\$ 30,120,412	

Notes:

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

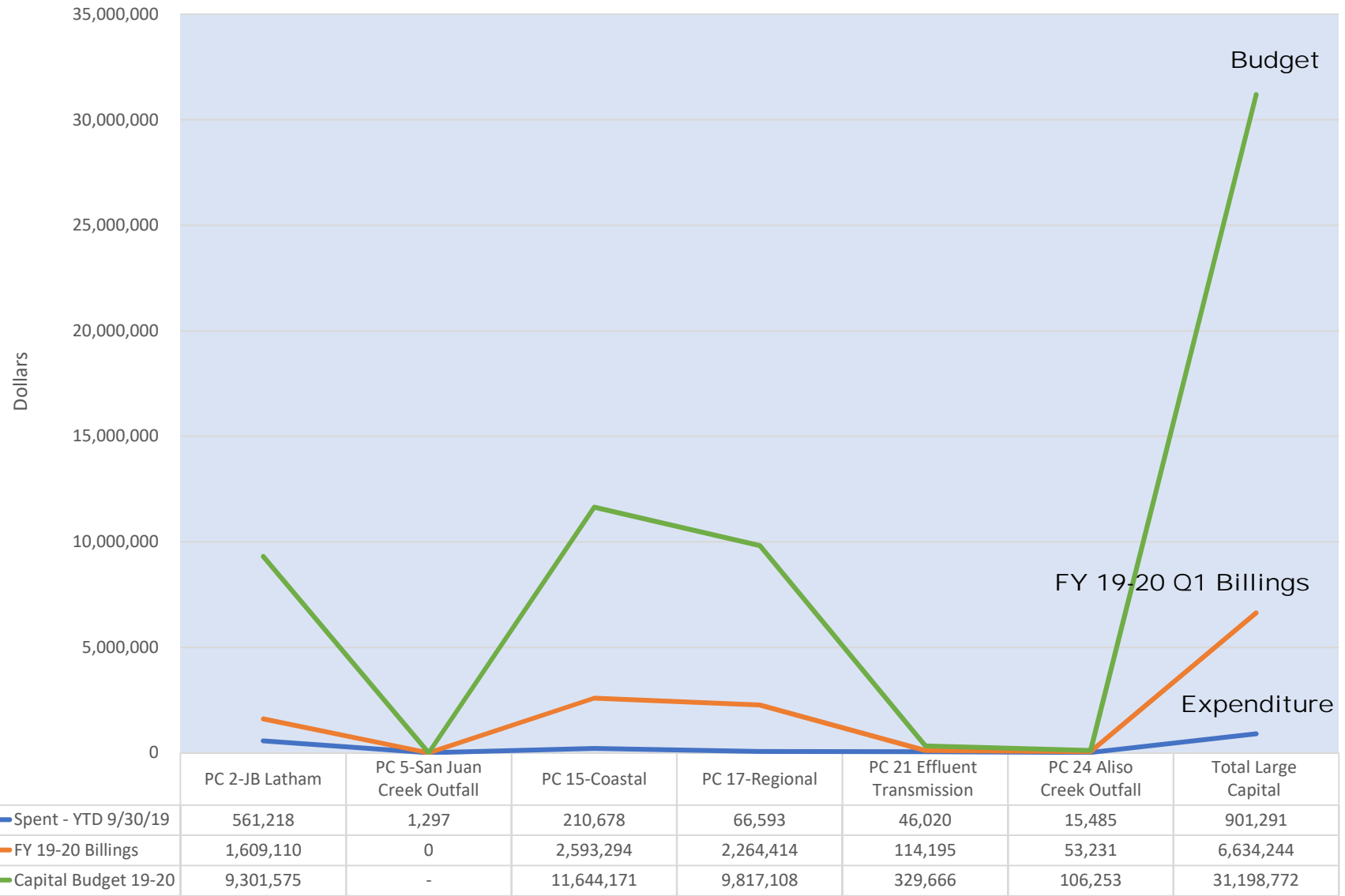
Exhibit D

**South Orange County Wastewater Authority
Capital Projects Summaries
For the Period Ended September 30, 2019**

FY 2019-20 Budget vs. Actual Spending							
Description	Capital Budget	Fiscal Year Spending	(Over)/ Under Budget	% Expended	Member Agency Billed	Member Agency Collections	% Expended vs. Billed
PC 2-JB Latham	9,301,575	561,218	8,740,358	6.0%	1,609,110	1,609,110	34.9%
* PC 5-San Juan Creek Outfall	-	1,297	(1,297)		-	-	
PC 15-Coastal	11,644,171	210,678	11,433,493	1.8%	2,593,294	2,593,294	8.1%
PC 17-Regional	9,817,108	66,593	9,750,515	0.7%	2,264,414	2,264,414	2.9%
PC 21 Effluent Transmission	329,666	46,020	283,645	14.0%	114,195	114,195	40.3%
PC 24 Aliso Creek Outfall	106,253	15,485	90,768	14.6%	53,231	53,231	29.1%
Total Large Capital	31,198,772	901,291	30,297,482	2.9%	6,634,244	6,634,244	-
Non-Capital Engineering	838,687	26,267	812,420	3.1%	141,949	141,949	18.5%
Non-Capital Misc Engineering	425,000	-	425,000	0.0%	106,252	106,252	0.0%
Small Internal Capital	2,047,504	265,155	1,782,349	13.0%	511,876	511,876	51.8%
Total Capital	34,509,964	1,192,713	33,317,251	3.5%	7,394,321	7,394,321	-

* PC 5 does not have a budget for FY 19-20 due to Cash on Hand for work that shifted into the current year.

Large Capital Projects Fiscal Year '19-20 Budget vs. Exhibit D-1 Year-to-Date (Q1) Expenditures & Billings as of 9/30/2019



South Orange County Wastewater Authority
O & M & Environmental Safety Costs Summary
For the Period Ended September 30, 2019

		FY 2019-20 Budget	Board Approved Expenditures*	Adjusted Budget	Actual	(Over)/Under Budget	% Expended
Salary and Fringe							
5000--**	Regular Salaries-O&M	4,620,132	10,289	4,630,421	1,125,651	3,504,771	24.3%
5001--**	Overtime Salaries-O&M	109,504		109,504	16,654	92,850	15.2% (1)
5306--**	Scheduled Holiday Work	28,692		28,692	5,774	22,918	20.1%
5315--**	Comp Time - O&M	7,796		7,796	3,161	4,635	40.5% (1)
5401--**	Fringe Benefits IN to PC's & Depts.	3,323,840		3,323,840	801,456	2,522,384	24.1%
5700--**	Standby Pay	67,600		67,600	17,308	50,292	25.6%
	Total Payroll Costs	8,157,564	10,289	8,167,853	1,970,004	6,197,850	24.1%
Other Expenses							
5002--**	Electricity	1,022,564		1,022,564	326,351	696,213	31.9% (2)
5003--**	Natural Gas	266,504		266,504	41,811	224,693	15.7%
5004--**	Potable & Reclaimed Water	84,992		84,992	14,467	70,525	17.0%
5005--**	Co-generation Power Credit	(325,004)		(325,004)	(177,480)	(147,524)	54.6%
5006--**	Chlorine/Sodium Hypochlorite	506,000		506,000	169,330	336,670	33.5% (3)
5007--**	Polymer Products	805,004		805,004	163,196	641,808	20.3%
5008--**	Ferric Chloride	304,992		304,992	113,707	191,285	37.3% (4)
5009--**	Odor Control Chemicals	130,000		130,000	25,627	104,373	19.7%
5010--**	Other Chemicals - Misc.	2,996		2,996	-	2,996	0.0%
5011--**	Laboratory Services	44,412		44,412	7,738	36,674	17.4%
5012--**	Grit Hauling	128,252		128,252	35,455	92,797	27.6%
5013--**	Landscaping	159,996		159,996	43,603	116,393	27.3%
5014--**	Engineering - Misc.	1,000		1,000	8,908	(7,908)	890.8% (5)
5015--**	Management Support Services	360,212		360,212	44,988	315,224	12.5%
5016--**	Audit - Environmental	600		600	-	600	0.0%
5017--**	Legal Fees	28,352		28,352	6,275	22,077	22.1%
5018--**	Public Notices/ Public Relations	5,004		5,004	100	4,904	2.0%
5019--**	Contract Services Misc.	199,996		199,996	62,054	137,942	31.0%
5021--**	Small Vehicle Expense	24,064		24,064	1,764	22,300	7.3%
5022--**	Miscellaneous Expense	18,004		18,004	1,391	16,613	7.7%
5023--**	Office Supplies - All	43,004		43,004	10,417	32,587	24.2%
5024--**	Petroleum Products	49,004		49,004	10,620	38,384	21.7%
5025--**	Uniforms	54,004		54,004	14,216	39,788	26.3%
5026--**	Small Vehicle Fuel	31,500		31,500	4,098	27,402	13.0%
5027--**	Insurance - Property/Liability	210,096		210,096	56,508	153,588	26.9%
5028--**	Small Tools & Supplies	74,872		74,872	25,186	49,686	33.6%
5030--**	Trash Disposal	6,992		6,992	916	6,076	13.1%
5031--**	Safety Program & Supplies	117,356		117,356	55,532	61,824	47.3% (6)
5032--**	Equipment Rental	7,004		7,004	-	7,004	0.0%
5033--**	Recruitment	3,004		3,004	28	2,976	0.9%
5034--**	Travel Expense/Tech. Conferences	61,932		61,932	29,589	32,343	47.8% (7)
5035--**	Training Expense	55,168		55,168	1,473	53,695	2.7%
5036--**	Laboratory Supplies	93,256		93,256	21,895	71,361	23.5%
5037--**	Office Equipment	25,000		25,000	2,330	22,670	9.3%
5038--**	Permits	500,128		500,128	26,219	473,909	5.2%
5039--**	Membership Dues/Fees	22,892		22,892	16,956	5,936	74.1% (8)
5044--**	Offshore Monitoring	36,000		36,000	20,937	15,063	58.2% (9)
5046--**	Effluent Chemistry	28,004		28,004	11,334	16,670	40.5%
5047--**	Access Road Expenses	49,000		49,000	-	49,000	0.0%
5048--**	Storm Damage	20,008		20,008	-	20,008	0.0%
5049--**	Biosolids Disposal	1,355,004		1,355,004	268,449	1,086,555	19.8%
5050--**	Contract Services Generators - 29A	22,008		22,008	-	22,008	0.0%
5052--**	Janitorial Services	102,008		102,008	19,661	82,347	19.3%
5053--**	Contract Serv - Digester Cleaning - 29E	59,996		59,996	-	59,996	0.0%
5054--**	Diesel Truck Maint	41,000		41,000	8,720	32,280	21.3%
5055--**	Diesel Truck Fuel - 37B	14,996		14,996	2,077	12,919	13.9%
5056--**	Maintenance Equip. & Facilities (Solids)	356,004		356,004	72,682	283,322	20.4%
5057--**	Maintenance Equip. & Facilities (Liquids)	663,000		663,000	128,154	534,846	19.3%
5058--**	Maintenance Equip. & Facilities (Common)	87,008		87,008	29,037	57,971	33.4% (10)
5059--**	Maintenance Equip. & Facilities (Co-Gen)	957,996		957,996	167,212	790,784	17.5%
5060--**	Maintenance Equip. & Facilities (AWT)	74,000		74,000	15,416	58,584	20.8%
5061--**	Mileage	2,508		2,508	553	1,955	22.0%
5068--**	MNWD Potable Water Supplies & Svcs.	24,972		24,972	3,612	21,360	14.5%
5069--**	Outfall Inspection/Port Cleaning	60,004		60,004	-	60,004	0.0%
5076--**	SCADA Infrastructure	20,992		20,992	-	20,992	0.0%
5077--**	IT Direct	16,080		16,080	11,744	4,336	73.0% (11)
5101--**	Employee Recognition	-		-	93	(93)	0.0%
5105--**	Co-Generation Power Credit - Offset	325,000		325,000	177,480	147,520	54.6%
5303--**	Group Insurance Waiver	14,396		14,396	3,687	10,709	25.6%
5305--**	Medicare Tax Payments for Employees	2,784		2,784	1,071	1,713	38.5%
5309--**	Operating Leases	21,800		21,800	5,659	16,141	26.0%
5705--**	Monthly Car Allowance	28,184		28,184	7,276	20,908	25.8%
5706--**	Effluent Pond Cleaning	90,000		90,000	-	90,000	0.0%
6500--**	IT Allocations in to PC's & Depts.	592,694		592,694	145,950	446,744	24.6%
	Total Other Expenses	10,188,598	-	10,188,598	2,266,069	7,922,529	22.2%
Total O&M Expenses		18,346,162	10,289	18,356,451	4,236,072	14,120,379	23.1%

* Change related to additional salary

South Orange County Wastewater Authority
O & M & Environmental Safety Costs Summary
For the Period Ended September 30, 2019

- (1) More staff has elected to choose Comp Time instead of Overtime Salaries than anticipated. Considering both line items together, the overall Overtime Budget is 27% in the first quarter of the FY.
- (2) Power costs are elevated, and the line item Budget may need to be adjusted due to high energy demand charges as discussed with the Board in May during the approval of the FY 2019-20 Budget.
- (3) Bleach usage is elevated in the summer and lowers with lower recycled water demand in the winter; expenses are planned to level off.
- (4) Ferric chloride usage is elevated in the summer and lowers in the winter; expenses are planned to level off.
- (5) Costs are associated with scanning and filing historic documents; expenses are planned to level off.
- (6) The first quarter includes the purchase of new boots per the Employee Manual; expenses are planned to level off.
- (7) Two of the three planned major conferences were attended by staff in the first quarter of the Fiscal Year including, WEFTEC and HACHWIMS; expenses are planned to level off.
- (8) Membership renewals are primarily paid in July; expenses are planned to level off.
- (9) Additional costs due to replacement of moors in the ocean for sample location identification.
- (10) The RTP Operations Building required a large plumbing project to replace leaking cast iron plumbing that was corroded and cracked; expenses are planned to level off.
- (11) PC specific SCADA laptops and software were purchased in the first quarter; expenses are planned to level off.

South Orange County Wastewater Authority
O&M Budget vs. Actual Comparison by PC
For the Period Ended September 30, 2019

02 - Jay B. Latham Plant

Salary and Fringe

02-5000-**-**	Regular Salaries-O&M	1,539,152	5,045	1,544,197	402,650	1,141,547	26.1%
02-5001-**-**	Overtime Salaries-O&M	35,144		35,144	6,335	28,809	18.0% (1)
02-5306-**-**	Scheduled Holiday Work	13,324		13,324	2,557	10,767	19.2%
02-5315-**-**	Comp Time - O&M	3,508		3,508	1,896	1,612	54.0% (1)
02-5401-**-**	Fringe Benefits IN to PC's & Depts.	1,107,296		1,107,296	285,808	821,488	25.8%
02-5700-**-**	Standby Pay	13,520		13,520	6,602	6,918	48.8% (2)
	Total Payroll Costs	2,711,944	5,045	2,716,989	705,846	2,011,143	26.0%

Other Expenses

02-5002-**-**	Electricity	399,688		399,688	125,068	274,620	31.3% (3)
02-5003-**-**	Natural Gas	168,004		168,004	26,454	141,550	15.7%
02-5004-**-**	Potable & Reclaimed Water	24,000		24,000	4,633	19,367	19.3%
02-5006-**-**	Chlorine/Sodium Hypochlorite	5,000		5,000	2,945	2,055	58.9% (4)
02-5007-**-**	Polymer Products	322,000		322,000	65,588	256,412	20.4%
02-5008-**-**	Ferric Chloride	103,736		103,736	33,488	70,248	32.3% (5)
02-5009-**-**	Odor Control Chemicals	28,988		28,988	4,026	24,962	13.9%
02-5010-**-**	Other Chemicals - Misc.	1,000		1,000	-	1,000	0.0%
02-5011-**-**	Laboratory Services	10,916		10,916	512	10,404	4.7%
02-5012-**-**	Grit Hauling	51,252		51,252	12,386	38,866	24.2%
02-5013-**-**	Landscaping	41,780		41,780	24,527	17,253	58.7% (6)
02-5014-**-**	Engineering - Misc.	-		-	3,566	(3,566)	0.0% (7)
02-5015-**-**	Management Support Services	33,004		33,004	5,223	27,781	15.8%
02-5017-**-**	Legal Fees	3,328		3,328	103	3,225	3.1%
02-5019-**-**	Contract Services Misc.	60,240		60,240	18,267	41,974	30.3%
02-5021-**-**	Small Vehicle Expense	10,004		10,004	1,100	8,904	11.0%
02-5022-**-**	Miscellaneous Expense	8,000		8,000	1,281	6,719	16.0%
02-5023-**-**	Office Supplies - All	28,000		28,000	5,891	22,109	21.0%
02-5024-**-**	Petroleum Products	14,124		14,124	3,266	10,858	23.1%
02-5025-**-**	Uniforms	20,000		20,000	6,307	13,693	31.5% (8)
02-5026-**-**	Small Vehicle Fuel	15,004		15,004	2,092	12,912	13.9%
02-5027-**-**	Insurance - Property/Liability	68,556		68,556	19,085	49,471	27.8%
02-5028-**-**	Small Tools & Supplies	35,496		35,496	7,659	27,837	21.6%
02-5030-**-**	Trash Disposal	2,000		2,000	332	1,668	16.6%
02-5031-**-**	Safety Program & Supplies	39,652		39,652	16,890	22,762	42.6% (9)
02-5032-**-**	Equipment Rental	3,000		3,000	-	3,000	0.0%
02-5033-**-**	Recruitment	1,000		1,000	28	972	2.8%
02-5034-**-**	Travel Expense/Tech. Conferences	15,964		15,964	7,498	8,466	47.0% (10)
02-5035-**-**	Training Expense	13,168		13,168	1,137	12,031	8.6%
02-5036-**-**	Laboratory Supplies	14,520		14,520	3,394	11,126	23.4%
02-5037-**-**	Office Equipment	13,000		13,000	671	12,329	5.2%
02-5038-**-**	Permits	22,500		22,500	17,516	4,984	77.9%
02-5039-**-**	Membership Dues/Fees	4,200		4,200	6,756	(2,556)	160.9% (11)
02-5049-**-**	Biosolids Disposal	450,000		450,000	83,231	366,769	18.5%
02-5050-**-**	Contract Services Generators - 29A	10,004		10,004	-	10,004	0.0%
02-5052-**-**	Janitorial Services	41,000		41,000	9,790	31,210	23.9%
02-5053-**-**	Contract Serv - Digester Cleaning - 29E	59,996		59,996	-	59,996	0.0%
02-5054-**-**	Diesel Truck Maint	21,000		21,000	3,925	17,075	18.7%
02-5055-**-**	Diesel Truck Fuel - 37B	6,000		6,000	928	5,072	15.5%
02-5056-**-**	Maintenance Equip. & Facilities (Solids)	155,004		155,004	18,761	136,243	12.1%
02-5057-**-**	Maintenance Equip. & Facilities (Liquids)	254,000		254,000	42,295	211,705	16.7%
02-5058-**-**	Maintenance Equip. & Facilities (Common)	28,000		28,000	11,791	16,209	42.1%
02-5059-**-**	Maintenance Equip. & Facilities (Co-Gen)	369,996		369,996	59,126	310,870	16.0%
02-5061-**-**	Mileage	1,504		1,504	89	1,415	5.9%
02-5076-**-**	SCADA Infrastructure	6,996		6,996	-	6,996	0.0%
02-5077-**-**	IT Direct	8,040		8,040	5,951	2,089	74.0% (12)
02-5303-**-**	Group Insurance Waiver	3,600		3,600	922	2,678	25.6%
02-5305-**-**	Medicare Tax Payments for Employees	1,116		1,116	617	499	55.3%
02-5309-**-**	Operating Leases	21,800		21,800	5,659	16,141	26.0%
02-5705-**-**	Monthly Car Allowance	12,592		12,592	4,050	8,542	32.2%
02-6500-**-**	IT Allocations in to PC's & Depts.	197,448		197,448	48,621	148,827	24.6%
	Total Other Expenses	3,229,220	-	3,229,220	723,449	2,505,771	22.4%
	Total Expenses	5,941,164	5,045	5,946,209	1,429,295	4,516,913	24.0%

South Orange County Wastewater Authority
O&M Budget vs. Actual Comparison by PC
For the Period Ended September 30, 2019

		FY 2019-20 Budget	Board Approved Expenditures*	Adjusted Budget	Actual	(Over)/Under Budget	%Expended
05 - San Juan Creek Ocean Outfall							
Salary and Fringe							
05-5000-**-**	Regular Salaries-O&M	102,104		102,104	25,708	76,396	25.2%
05-5001-**-**	Overtime Salaries-O&M	900		900	-	900	0.0%
05-5401-**-**	Fringe Benefits IN to PC's & Depts.	73,456		73,456	18,479	54,977	25.2%
	Total Payroll Costs	176,460	-	176,460	44,187	132,273	25.0%
Other Expenses							
05-5003-**-**	Natural Gas	500		500	-	500	0.0%
05-5014-02-00-00	Engineering - Misc.	-		-	1,397	(1,397)	0.0% (7)
05-5015-**-**	Management Support Services	15,004		15,004	723	14,281	4.8%
05-5017-**-**	Legal Fees	3,012		3,012	275	2,737	9.1%
05-5027-**-**	Insurance - Property/Liability	6,248		6,248	1,627	4,621	26.0%
05-5031-**-**	Safety Supplies	1,004		1,004	-	1,004	0.0%
05-5034-**-**	Travel Expense/Tech. Conferences	3,712		3,712	1,274	2,438	34.3%
05-5035-**-**	Training Expense	5,988		5,988	-	5,988	0.0%
05-5036-**-**	Laboratory Supplies	19,468		19,468	4,056	15,412	20.8%
05-5038-**-**	Permits	196,000		196,000	882	195,118	0.5%
05-5039-**-**	Membership Dues/Fees	5,496		5,496	-	5,496	0.0%
05-5044-**-**	Offshore Monitoring	18,000		18,000	10,469	7,531	58.2% (13)
05-5046-**-**	Effluent Chemistry	14,000		14,000	4,582	9,418	32.7% (14)
05-5058-**-**	Maintenance Equip. & Facilities (Common)	1,004		1,004	-	1,004	0.0%
05-5069-**-**	Misc-Capital-Dilution & Metering Study	30,000		30,000	-	30,000	0.0%
05-6500-**-**	IT Allocations in to PC's & Depts.	13,100		13,100	3,226	9,874	24.6%
	Total Other Expenses	332,536	-	332,536	28,510	304,026	8.6%
	Total Expenses	508,996	-	508,996	72,697	436,299	14.3%
08 - Pre Treatment							
Salary and Fringe							
08-5000-**-**	Regular Salaries-O&M	92,352		92,352	21,858	70,494	23.7%
08-5315-**-**	Comp Time - Environment	-		-	363	(363)	0.0%
08-5401-**-**	Fringe Benefits IN to PC's & Depts.	66,436		66,436	15,712	50,724	23.7%
	Total Payroll Costs	158,788	-	158,788	37,933	120,855	23.9%
Other Expenses							
08-5011-**-**	Laboratory Services	2,996		2,996	1,280	1,716	42.7% (15)
08-5015-**-**	Management Support Services	2,004		2,004	-	2,004	0.0%
08-5016-**-**	Audit - Environmental	600		600	-	600	0.0%
08-5017-**-**	Legal Fees	2,504		2,504	-	2,504	0.0%
08-5018-**-**	Public Notices/ Public Relations	5,004		5,004	100	4,904	2.0%
08-5021-**-**	Small Vehicle Expense - 31A	1,056		1,056	12	1,044	1.1%
08-5022-**-**	Miscellaneous Expense	2,004		2,004	-	2,004	0.0%
08-5026-**-**	Small Vehicle Fuel - 37A	1,500		1,500	112	1,388	7.5%
08-5027-**-**	Insurance - Property/Liability	2,160		2,160	583	1,577	27.0%
08-5028-**-**	Small Tools & Supplies	3,876		3,876	98	3,778	2.5%
08-5031-02-00-00	Safety Program & Supplies	-		-	197	(197)	0.0%
08-5034-**-**	Travel Expense/Tech. Conferences	4,348		4,348	-	4,348	0.0%
08-5035-**-**	Training Expense	1,564		1,564	-	1,564	0.0%
08-5038-**-**	Permits and Fines	10,012		10,012	-	10,012	0.0%
08-5039-**-**	Membership Dues/Fees	1,016		1,016	409	607	40.3% (11)
08-6500-**-**	IT Allocations in to PC's & Depts.	11,840		11,840	2,917	8,923	24.6%
	Total Other Expenses	52,484	-	52,484	5,709	46,775	10.9%
	Total Expenses	211,272	-	211,272	43,642	167,630	20.7%
12 - Water Reclamation Permits							
Salary and Fringe							
12-5000-**-**	Regular Salaries-O&M	35,084		35,084	24,355	10,729	69.4% (16)
12-5401-**-**	Fringe Benefits IN to PC's & Depts.	25,248		25,248	17,507	7,741	69.3% (16)
	Total Payroll Costs	60,332	-	60,332	41,862	18,470	69.4%
Other Expenses							
12-5015-**-**	Management Support Services	270,000		270,000	28,581	241,419	10.6%
12-5017-**-**	Legal Fees	2,004		2,004	-	2,004	0.0%
12-5027-**-**	Insurance - Property/Liability	2,364		2,364	723	1,641	30.6%
12-5034-**-**	Travel Expense/Tech. Conferences	2,280		2,280	-	2,280	0.0%
12-5038-**-**	Permits	20,000		20,000	882	19,118	4.4%
12-6500-**-**	IT Allocations in to PC's & Depts.	4,508		4,508	1,109	3,399	24.6%
	Total Other Expenses	301,156	-	301,156	31,294	269,862	10.4%
	Total Expenses	361,488	-	361,488	73,156	288,332	20.2%

South Orange County Wastewater Authority
O&M Budget vs. Actual Comparison by PC
For the Period Ended September 30, 2019

		FY 2019-20 Budget	Board Approved Expenditures*	Adjusted Budget	Actual	(Over)/Under Budget	%Expended
15 - Coastal Treatment Plant							
Salary and Fringe							
15-5000-**-**	Regular Salaries-O&M	954,416	1,115	955,531	201,915	753,616	21.1%
15-5001-**-**	Overtime Salaries-O&M	18,928		18,928	4,245	14,683	22.4%
15-5306-**-**	Scheduled Holiday Work	2,596		2,596	547	2,049	21.1%
15-5315-**-**	Comp Time - O&M	4,288		4,288	703	3,585	16.4%
15-5401-**-**	Fringe Benefits IN to PC's & Depts.	686,636		686,636	144,340	542,296	21.0%
15-5700-**-**	Standby Pay	27,040		27,040	2,670	24,370	9.9%
	Total Payroll Costs	1,693,904	1,115	1,695,019	354,420	1,340,600	20.9%
Other Expenses							
15-5002-**-**	Electricity	270,960		270,960	69,672	201,288	25.7%
15-5003-**-**	Natural Gas	3,000		3,000	35	2,965	1.2%
15-5004-**-**	Potable & Reclaimed Water	30,996		30,996	5,307	25,689	17.1%
15-5006-**-**	Chlorine/Sodium Hypochlorite	99,000		99,000	33,829	65,171	34.2%
15-5007-**-**	Polymer Products	1,004		1,004	-	1,004	0.0%
15-5008-**-**	Ferric Chloride	28,368		28,368	13,993	14,375	49.3% (17)
15-5009-**-**	Odor Control Chemicals	56,216		56,216	9,010	47,206	16.0%
15-5011-**-**	Laboratory Services	14,000		14,000	2,738	11,262	19.6%
15-5012-**-**	Grit Hauling	30,000		30,000	7,173	22,827	23.9%
15-5013-**-**	Landscaping	50,548		50,548	7,179	43,369	14.2%
15-5014-**-**	Engineering - Misc.	1,000		1,000	1,972	(972)	197.2% (18)
15-5015-**-**	Management Support Services	4,500		4,500	2,134	2,366	47.4%
15-5017-**-**	Legal Fees	15,000		15,000	702	14,298	4.7%
15-5019-**-**	Contract Services Misc.	59,036		59,036	19,650	39,386	33.3%
15-5021-**-**	Small Vehicle Expense - 31A	6,004		6,004	134	5,870	2.2%
15-5022-**-**	Miscellaneous Expense	2,996		2,996	-	2,996	0.0%
15-5023-**-**	Office Supplies - All	4,004		4,004	1,807	2,197	45.1%
15-5024-**-**	Petroleum Products	1,660		1,660	-	1,660	0.0%
15-5025-**-**	Uniforms	9,000		9,000	1,664	7,336	18.5%
15-5026-**-**	Small Vehicle Fuel - 37A	5,000		5,000	239	4,761	4.8%
15-5027-**-**	Insurance - Property/Liability	35,372		35,372	9,367	26,005	26.5%
15-5028-**-**	Small Tools & Supplies	9,524		9,524	7,314	2,210	76.8% (19)
15-5030-**-**	Trash Disposal	2,996		2,996	448	2,548	14.9%
15-5031-**-**	Safety Program & Supplies	36,048		36,048	11,805	24,243	32.7% (9)
15-5032-**-**	Equipment Rental	1,000		1,000	-	1,000	0.0%
15-5033-**-**	Recruitment	1,000		1,000	-	1,000	0.0%
15-5034-**-**	Travel Expense/Tech. Conferences	15,968		15,968	4,681	11,287	29.3%
15-5035-**-**	Training Expense	13,268		13,268	168	13,100	1.3%
15-5036-**-**	Laboratory Supplies	16,500		16,500	5,302	11,198	32.1%
15-5037-**-**	Office Equipment	2,000		2,000	649	1,351	32.5%
15-5038-**-**	Permits	23,236		23,236	1,928	21,308	8.3%
15-5039-**-**	Membership Dues/Fees	2,368		2,368	4,941	(2,573)	208.7% (11)
15-5047-**-**	Access Road Expenses	49,000		49,000	-	49,000	0.0%
15-5048-**-**	Storm Damage	20,008		20,008	-	20,008	0.0%
15-5050-**-**	Contract Services Generators - 29A	4,004		4,004	-	4,004	0.0%
15-5052-**-**	Janitorial Services	20,008		20,008	2,799	17,209	14.0%
15-5054-**-**	Diesel Truck Maint - 31B	996		996	-	996	0.0%
15-5055-**-**	Diesel Truck Fuel - 37B	996		996	-	996	0.0%
15-5057-**-**	Maintenance Equip. & Facilities (Liquids)	179,000		179,000	24,009	154,991	13.4%
15-5058-**-**	Maintenance Equip. & Facilities (Common)	22,000		22,000	2,201	19,799	10.0%
15-5060-**-**	Maintenance Equip. & Facilities (AWT) 41-E	37,000		37,000	5,464	31,536	14.8%
15-5061-01-00-00	Mileage	-		-	289	(289)	0.0%
15-5076-**-**	SCADA Infrastructure	6,996		6,996	-	6,996	0.0%
15-5077-01-00-00	IT Direct	-		-	2,896	(2,896)	0.0% (20)
15-5303-**-**	Group Insurance Waiver	3,604		3,604	922	2,682	25.6%
15-5305-**-**	Medicare Tax Payments for Employees	1,668		1,668	454	1,214	27.2%
15-5705-**-**	Monthly Car Allowance	4,200		4,200	1,075	3,125	25.6%
15-6500-**-**	IT Allocations in to PC's & Depts.	122,436		122,436	30,150	92,286	24.6%
	Total Other Expenses	1,323,488	-	1,323,488	294,100	1,029,388	22.2%
	Total Expenses	3,017,392	1,115	3,018,507	648,519	2,369,988	21.5%

South Orange County Wastewater Authority
O&M Budget vs. Actual Comparison by PC
For the Period Ended September 30, 2019

		FY 2019-20 Budget	Board Approved Expenditures*	Adjusted Budget	Actual	(Over)/Under Budget	%Expended
17 - Joint Regional Wastewater Reclamation and Sludge Handling							
Salary and Fringe							
17-5000-***.**	Regular Salaries-O&M	1,797,416	4,129	1,801,545	422,038	1,379,507	23.4%
17-5001-***.**	Overtime Salaries-O&M	54,072		54,072	6,001	48,071	11.1%
17-5306-***.**	Scheduled Holiday Work	12,772		12,772	2,670	10,102	20.9%
17-5315-02-01-00	Comp Time - O&M	-		-	165	(165)	0.0%
17-5401-***.**	Fringe Benefits IN to PC's & Depts.	1,293,120		1,293,120	300,111	993,009	23.2%
17-5700-***.**	Standby Pay	27,040		27,040	8,037	19,003	29.7%
	Total Payroll Costs	3,184,420	4,129	3,188,549	739,022	2,449,527	23.2%
Other Expenses							
17-5002-***.**	Electricity	351,916		351,916	131,611	220,305	37.4% (21)
17-5003-***.**	Natural Gas	95,000		95,000	15,321	79,679	16.1%
17-5004-***.**	Potable & Reclaimed Water	29,996		29,996	4,527	25,469	15.1%
17-5005-***.**	Co-generation Power Credit	(325,004)		(325,004)	(177,480)	(147,524)	54.6%
17-5006-***.**	Chlorine/Sodium Hypochlorite	402,000		402,000	132,556	269,444	33.0% (22)
17-5007-***.**	Polymer Products	482,000		482,000	97,608	384,392	20.3%
17-5008-***.**	Ferric Chloride	172,888		172,888	66,225	106,663	38.3% (23)
17-5009-***.**	Odor Control Chemicals	44,796		44,796	12,591	32,205	28.1%
17-5010-***.**	Other Chemicals - Misc.	1,996		1,996	-	1,996	0.0%
17-5011-***.**	Laboratory Services	16,500		16,500	3,208	13,292	19.4%
17-5012-***.**	Grit Hauling - 21A	47,000		47,000	15,896	31,104	33.8%
17-5013-***.**	Landscaping	67,668		67,668	11,897	55,771	17.6%
17-5014-***.**	Engineering - Misc.	-		-	1,973	(1,973)	0.0% (7)
17-5015-***.**	Management Support Services	13,204		13,204	7,604	5,600	57.6%
17-5017-***.**	Legal Fees	1,500		1,500	5,195	(3,695)	346.3%
17-5019-***.**	Contract Services Misc.	80,720		80,720	23,981	56,739	29.7%
17-5021-***.**	Small Vehicle Expense	7,000		7,000	517	6,483	7.4%
17-5022-***.**	Miscellaneous Expense	5,004		5,004	109	4,895	2.2%
17-5023-***.**	Office Supplies - All	11,000		11,000	2,719	8,281	24.7%
17-5024-***.**	Petroleum Products	33,220		33,220	7,354	25,866	22.1%
17-5025-***.**	Uniforms	25,004		25,004	6,246	18,758	25.0%
17-5026-***.**	Small Vehicle Fuel	9,996		9,996	1,655	8,341	16.6%
17-5027-***.**	Insurance - Property/Liability	88,132		88,132	23,264	64,868	26.4%
17-5028-***.**	Small Tools & Supplies	25,976		25,976	10,114	15,862	38.9%
17-5030-***.**	Trash Disposal	1,996		1,996	137	1,859	6.8%
17-5031-***.**	Safety Program & Supplies	39,648		39,648	26,639	13,009	67.2% (9)
17-5032-***.**	Equipment Rental	3,004		3,004	-	3,004	0.0%
17-5033-***.**	Recruitment	1,004		1,004	-	1,004	0.0%
17-5034-***.**	Travel Expense/Tech. Conferences	15,956		15,956	14,862	1,094	93.1% (10)
17-5035-***.**	Training Expense	15,172		15,172	168	15,004	1.1%
17-5036-***.**	Laboratory Supplies	23,208		23,208	5,442	17,766	23.4%
17-5037-***.**	Office Equipment	10,000		10,000	1,011	8,989	10.1%
17-5038-***.**	Permits	41,624		41,624	4,127	37,497	9.9%
17-5039-***.**	Membership Dues/Fees	4,312		4,312	4,850	(538)	112.5% (11)
17-5049-***.**	Biosolids Disposal	905,004		905,004	185,218	719,786	20.5%
17-5050-***.**	Contract Services Generators - 29A	8,000		8,000	-	8,000	0.0%
17-5052-***.**	Janitorial Services	41,000		41,000	7,072	33,928	17.2%
17-5054-***.**	Diesel Truck Maint	19,004		19,004	4,795	14,209	25.2%
17-5055-***.**	Diesel Truck Fuel - 37B	8,000		8,000	1,149	6,851	14.4%
17-5056-***.**	Maintenance Equip. & Facilities (Solids)	201,000		201,000	53,921	147,079	26.8%
17-5057-***.**	Maintenance Equip. & Facilities (Liquids)	230,000		230,000	61,849	168,151	26.9%
17-5058-***.**	Maintenance Equip. & Facilities (Common)	35,000		35,000	15,045	19,955	43.0% (24)
17-5059-***.**	Maintenance Equip. & Facilities (Co-Gen)	588,000		588,000	108,086	479,914	18.4%
17-5060-***.**	Maintenance Equip. & Facilities (AWT)	37,000		37,000	9,952	27,048	26.9%
17-5061-***.**	Mileage	1,004		1,004	175	829	17.4%
17-5068-***.**	MNWD Potable Water Supplies & Svcs.	24,972		24,972	3,612	21,360	14.5%
17-5076-***.**	SCADA Infrastructure	7,000		7,000	-	7,000	0.0%
17-5077-***.**	IT Direct	8,040		8,040	2,896	5,144	36.0% (25)
17-5101-01-00-00	Employee Recognition	-		-	93	(93)	0.0%
17-5105-***.**	Co-Generation Power Credit - Offset	325,000		325,000	177,480	147,520	54.6%
17-5303-***.**	Group Insurance Waiver	7,192		7,192	1,843	5,349	25.6%
17-5705-***.**	Monthly Car Allowance	11,392		11,392	2,151	9,241	18.9%
17-5706-***.**	Effluent Pond Cleaning	90,000		90,000	-	90,000	0.0%
17-6500-***.**	IT Allocations in to PC's & Depts.	230,586		230,586	56,780	173,806	24.6%
	Total Other Expenses	4,620,630	-	4,620,630	1,154,042	3,466,588	25.0%
	Total Expenses	7,805,050	4,129	7,809,179	1,893,064	5,916,115	24.2%

South Orange County Wastewater Authority
O&M Budget vs. Actual Comparison by PC
For the Period Ended September 30, 2019

		FY 2019-20 Budget	Board Approved Expenditures*	Adjusted Budget	Actual	(Over)/Under Budget	%Expended
21 - Effluent Transmission Main							
Salary and Fringe							
21-5000-01-14-00	Regular Salaries-O&M	-	-	-	365	(365)	0.0%
21-5401-01-00-00	Fringe Benefits IN to PC's & Depts.	-	-	-	263	(263)	0.0%
	Total Payroll Costs	-	-	-	628	(628)	0.0%
Other Expenses							
21-5019-02-00-00	Contract Services Misc. - 29	-	-	-	157	(157)	0.0%
21-5027-**-**-**	Insurance - Property/Liability	740	740	740	174	566	23.5%
	Total Other Expenses	740	-	740	331	409	44.7%
	Total Expenses	740	-	740	959	(219)	129.6%
24 - Aliso Creek Ocean Outfall							
Salary and Fringe							
24-5000-**-**-**	Regular Salaries-O&M	99,608	99,608	99,608	26,762	72,846	26.9%
24-5001-**-**-**	Overtime Salaries-O&M	460	460	460	74	386	16.1%
24-5315-02-11-00	Comp Time - O&M	-	-	-	34	(34)	0.0%
24-5401-**-**-**	Fringe Benefits IN to PC's & Depts.	71,648	71,648	71,648	19,237	52,411	26.8%
	Total Payroll Costs	171,716	-	171,716	46,107	125,609	26.9%
Other Expenses							
24-5015-**-**-**	Management Support Services	22,496	22,496	22,496	723	21,773	3.2%
24-5017-**-**-**	Legal Fees	1,004	1,004	1,004	-	1,004	0.0%
24-5027-**-**-**	Insurance - Property/Liability	6,524	6,524	6,524	1,685	4,839	25.8%
24-5031-**-**-**	Safety Supplies	1,004	1,004	1,004	-	1,004	0.0%
24-5034-**-**-**	Travel Expense/Tech. Conferences	3,704	3,704	3,704	1,274	2,430	34.4%
24-5035-**-**-**	Training Expense	6,008	6,008	6,008	-	6,008	0.0%
24-5036-**-**-**	Laboratory Supplies	19,560	19,560	19,560	3,702	15,858	18.9%
24-5038-**-**-**	Permits	186,756	186,756	186,756	882	185,874	0.5%
24-5039-**-**-**	Membership Dues/Fees	5,500	5,500	5,500	-	5,500	0.0%
24-5044-**-**-**	Offshore Monitoring	18,000	18,000	18,000	10,469	7,531	58.2% (13)
24-5046-**-**-**	Effluent Chemistry	14,004	14,004	14,004	6,752	7,252	48.2% (14)
24-5058-**-**-**	Maintenance Equip. & Facilities (Common) 41-C	1,004	1,004	1,004	-	1,004	0.0%
24-5069-**-**-**	Outfall Inspection/Port Cleaning	30,004	30,004	30,004	-	30,004	0.0%
24-6500-**-**-**	IT Allocations in to PC's & Depts.	12,776	12,776	12,776	3,146	9,630	24.6%
	Total Other Expenses	328,344	-	328,344	28,633	299,711	8.7%
	Total Expenses	500,060	-	500,060	74,740	425,320	14.9%
Total O&M Expenses		18,346,162	10,289	18,356,451	4,236,072	14,120,379	23.1%

* Change related to additional salary

**South Orange County Wastewater Authority
O&M Budget vs. Actual Comparison by PC**

For the Period Ended September 30, 2019

- (1) More staff has elected to choose Comp Time instead of Overtime Salaries than anticipated. Considering both line items together, the overall Overtime Budget is 27% in the first quarter of the FY.
- (2) Standby Pay is elevated due to the rotation schedule of the staff. The overall Standby Pay for O&M is on Budget and is anticipated to level out over the FY.
- (3) Power costs are elevated, and the line item Budget may need to be adjusted due to high energy demand charges as discussed with the Board in May during the approval of the FY 2019-20 Budget.
- (4) A leak in the fiberglass tank required staff to drain the bleach tank a refill it. The bleach drained from the leaking tank is being stored in temporary totes and will be used over the next few months.
- (5) Ferric usage for the new engine is still being adjusted to stay in compliance with SCAQMD permits. This line item may need to be adjusted as discussed with the Board in May during the approval of the FY 2019-20 Budget.
- (6) Annual trees work was completed at the beginning of the FY; expenses are planned to level off.
- (7) Costs are associated with scanning and filing historic documents; expenses are planned to level off.
- (8) Staff completed the restocking of PPE for the upcoming Winter; expenses are planned to level off.
- (9) The first quarter includes the purchase of new boots per the Employee Manual; expenses are planned to level off.
- (10) Two of the three planned major conferences were attended by staff in the first quarter of the Fiscal Year including, WEFTEC and HACHWIMS; expenses are planned to level off.
- (11) Membership renewals are primarily paid in July; expenses are planned to level off.
- (12) An additional software license for JBL's Lockout-Tagout procedures was purchased. Also, a JBL SCADA laptop was replaced. Since both items are directly attributed to JBL, they are charged to PC-2; expenses are planned to level off.
- (13) Additional costs due to replacement of moors in the ocean for sample location identification.
- (14) Additional costs due to accelerated monitoring at the outfall due to chronic toxicity exceedance.
- (15) Annual pretreatment sampling, costs will level off through the year.
- (16) Intern time included in this budget line item.
- (17) Ferric chloride usage is elevated in the summer at CTP and lowers in the winter; expenses are planned to level off.
- (18) Costs are associated with scanning and filing historic documents for CTP; expenses are planned to level off.
- (19) O&M staff procured a number of tools at the beginning of the FY; expenses are planned to level off.
- (20) A CTP SCADA laptop was replaced and is directly attributed to CTP; expenses are planned to level off.
- (21) Additional power is being purchased due to warranty work on the new engine.
- (22) Bleach usage is elevated in the summer at RTP and lowers with lower recycled water demand in the winter; expenses are planned to level off.
- (23) Ferric chloride usage is elevated in the summer at RTP and lowers in the winter; expenses are planned to level off.
- (24) The RTP Operations Building required a large plumbing project to replace leaking cast iron plumbing that was corroded and cracked; expenses are planned to level off.
- (25) An RTP SCADA laptop was replaced and is directly attributed to RTP; expenses are planned to level off.

South Orange County Wastewater Authority
Budget vs. Actual Comparison - Engineering
For the Period Ended September 30, 2019

		FY 2019-20 Budget	Board Approved Expenditures *	Adjusted Budget	Actual	(Over)/Under Budget	% Expended	
Salary and Fringe								
01-5000-03-00-00	Regular Salaries-O&M	207,349	714	208,063	80,280	127,783	38.6%	(1)
01-5302-03-01-00	Performance Based Merit Pay	-		-	-	-	0.0%	
01-5401-03-00-00	Fringe Benefits IN to PC's & Depts.	149,173		149,173	56,402	92,771	37.8%	(1)
	Total Payroll Costs	356,522	714	357,236	136,681	220,554	38.3%	
Other Expenses								
01-5015-03-00-00	Management Support Services	9,600		9,600	-	9,600	0.0%	
5022--**-00	Miscellaneous Expense	3,121		3,121	-	3,121	0.0%	
01-5023-03-00-00	Office Supplies - All	204		204	-	204	0.0%	
01-5031-03-00-00	Safety Supplies	300		300	-	300	0.0%	
01-5033-03-00-00	Recruitment	-		-	7,539	(7,539)	0.0%	(2)
01-5034-03-00-00	Travel Expense/Tech. Conferences	12,625		12,625	3,153	9,472	25.0%	
01-5035-03-00-00	Training Expense	4,400		4,400	-	4,400	0.0%	
01-5037-03-00-00	Office Equipment	400		400	-	400	0.0%	
01-5039-03-00-00	Membership Dues/Fees	1,350		1,350	-	1,350	0.0%	
01-5061-03-00-00	Mileage	500		500	61	439	12.2%	
01-5309-03-00-00	Operating Leases	6,695		6,695	1,830	4,865	27.3%	
01-5705-03-00-00	Monthly Car Allowance	5,250		5,250	1,576	3,674	30.0%	(1)
01-5802-03-00-00	Shipping/Freight	306		306	-	306	0.0%	
01-6500-03-00-00	IT Allocations in to PC's & Depts.	55,588		55,588	13,688	41,900	24.6%	
	Total Other Expenses	100,339	-	100,339	27,847	72,492	27.8%	
Total Engineering Expenses		456,862	714	457,575	164,528	293,046	36.0%	

* Change related to additional salary

(1) The 2nd quarter will have a significantly lower percentage expended due to reduced staff effective on 10/1.

(2) Staffing costs; Director Engineering and Sr. Engineer.

South Orange County Wastewater Authority
Budget vs. Actual Comparison- Administration
For the Period Ended September 30, 2019

		FY 2019-20 Budget	Board Approved Expenditures *	Adjusted Budget	Actual	(Over)/Under Budget	% Expended
Salary and Fringe							
01-6000-04-00-00	Regular Salaries-Admin or IT	1,030,445	3,092	1,033,537	241,598	791,940	23.4%
01-6001-04-00-00	Overtime Salaries-Admin or IT	6,000		6,000	1,691	4,309	28.2%
01-6315-04-00-00	Comp Time - Admin	5,000		5,000	2,636	2,364	52.7%
01-6401-04-00-00	Fringe Benefits IN to ADMIN or IT	741,332		741,332	173,666	567,666	23.4%
	Total Payroll Costs	1,782,777	3,092	1,785,869	419,591	1,366,278	23.5%
Other Expenses							
01-6101-04-00-00	HR Recruitment & Employee Relations	34,200		34,200	5,749	28,451	16.8%
01-6102-04-00-00	Subscriptions	2,000		2,000	400	1,600	20.0%
01-6200-04-00-00	Management Support Services	100,000		100,000	46,147	53,853	46.1%
01-6201-04-00-00	Audit	45,000		45,000	25,000	20,000	55.6%
01-6202-04-00-00	Legal	250,000		250,000	74,821	175,179	29.9%
01-6204-04-00-00	Postage	2,400		2,400	1,483	917	61.8%
01-6223-04-00-00	Office Supplies - Admin	6,000		6,000	1,746	4,254	29.1%
01-6224-04-00-00	Office Equipment Admin or IT	400		400	-	400	0.0%
01-6234-04-00-00	Memberships & Trainings	90,000		90,000	33,377	56,623	37.1%
01-6239-04-00-00	Travel & Conference	21,500		21,500	6,261	15,239	29.1%
01-6310-04-00-00	Miscellaneous	23,000		23,000	8,213	14,787	35.7%
01-6311-04-00-00	Mileage	1,188		1,188	270	918	22.8%
01-6317-04-00-00	Contract Services Misc	5,500		5,500	1,275	4,225	23.2%
01-6500-04-00-00	IT Allocations in to PC's & Depts.	132,191		132,191	32,552	99,639	24.6%
01-6601-04-00-00	Shipping/Freight	3,667		3,667	1,736	1,931	47.3%
01-6705-04-00-00	Monthly Car Allowance	12,000		12,000	3,072	8,928	25.6%
	Total Other Expenses	729,046	-	729,046	242,104	486,942	33.2%
Total Admin Expenses		2,511,823	3,092	2,514,915	661,695	1,853,220	26.3%

* Change related to additional salary

South Orange County Wastewater Authority
Budget vs. Actual Comparison-IT
For the Period Ended September 30, 2019

		FY 2019-20 Budget	Board Approved Expenditures *	Adjusted Budget	Actual	(Over)/Under Budget	% Expended
Salary & Fringe							
01-6000-05-00-00	Regular Salaries-Admin or IT	98,482	518	99,000	21,977	77,023	22.3%
01-6001-05-00-00	Overtime Salaries-Admin or IT	-		-	2,072	(2,072)	0.0%
01-6401-05-00-00	Fringe Benefits IN to ADMIN or IT	70,851		70,851	15,425	55,426	21.8%
	Total Salary & Fringe	169,333	518	169,851	39,440	130,411	23.3%
Other Expenses							
01-5028-05-00-00	Small Tools & Supplies	1,000		1,000	-	1,000	0.0%
01-5037-05-00-00	Office Equipment	600		600	-	600	0.0%
01-6102-05-00-00	Subscriptions	700		700	-	700	0.0%
01-6234-05-00-00	Memberships & Trainings	1,000		1,000	-	1,000	0.0%
01-6239-05-00-00	Travel & Conference	3,500		3,500	2,745	755	78.4%
01-6300-05-00-00	Software Maintenance Agreements	51,967		51,967	48,797	3,170	93.9% (1)
01-6301-05-00-00	Hardware Maintenance Agreements	7,126		7,126	-	7,126	0.0%
01-6302-05-00-00	Cloud Subscriptions (Internet)	75,124		75,124	28,955	46,169	38.5%
01-6303-05-00-00	Telecommunications	127,036		127,036	32,310	94,726	25.4%
01-6305-05-00-00	IT Professional Services	236,919		236,919	10,984	225,935	4.6%
01-6306-05-00-00	Small Hardware Purchases (< \$5k)	20,900		20,900	10,630	10,270	50.9%
01-6307-05-00-00	Small Software Purchases & Licenses (<\$5k)	24,908		24,908	2,053	22,855	8.2%
01-6308-05-00-00	IT Memberships	160		160	704	(544)	440.0%
01-6309-05-00-00	Operating Leases	55,200		55,200	14,580	40,620	26.4%
01-6310-05-00-00	Miscellaneous	5,000		5,000	173	4,827	3.5%
01-6312-05-00-00	Computer & Photocopy Supplies	-		-	819	(819)	0.0%
	Total Other Expenses	611,140	-	611,140	152,749	458,391	25.0%
Total Expenses before Allocation		780,473	518	780,991	192,190	588,802	24.6%
IT Allocations (Out) to PC's & Depts							
01-6400-05-00-00	IT Allocations (OUT) to PC's & Depts.	(780,473)	(518)	(780,991)	(192,190)	(588,802)	24.6%
	Total IT Allocations (Out) to PC's & Depts	(780,473)	(518)	(780,991)	(192,190)	(588,802)	24.6%

* Change related to additional salary

(1) SCADA license agreement billed at the beginning of the fiscal year.

Agenda Item

8

Finance Committee Meeting

Meeting Date: November 12, 2019

TO: Finance Committee

FROM: Betty Burnett, General Manager

STAFF CONTACT: Mary Carey, Finance Controller

SUBJECT: Draft Comprehensive Annual Financial Report (CAFR) for Fiscal Year ended June 30, 2019 including Supplemental Financial Statements by PC and Member Agency (***enclosed under separate cover***)

Summary/Discussion

SOCWA is submitting for the first time a Draft CAFR instead of the regular annual audit report that presented only the basic financial statements. The Draft CAFR will be ***enclosed under separate cover***.

The CAFR includes the following documents for your review:

- Independent Audit Report; an unmodified ("clean") opinion of the financials
- Supplemental Financial Statements by Project Committee and Member Agency for Fiscal Year Ended June 30, 2019

Staff chose to present a CAFR because it presents a wider variety of information about the Authority, its service area and operations which should help the reader to properly understand the basic financial statements and SOCWA.

A Draft Copy of only the Independent Audit Report including the Basic Financial Statements and the Supplemental Financial Statements were sent to Finance Officers on October 31, 2019.

The Finance Officers were asked to review the documents and comment as needed. The Draft CAFR was also sent to Finance Officers.

SOCWA's Finance Staff scheduled a meeting with the Finance Officers for November 7, 2019, after the Board meeting, for discussion and review of these items.

Recommended Action:

- 1) The Finance Committee to provide comments to the Draft CAFR and recommend to the Board of Directors approval of the CAFR including the Independent Audit Report for Fiscal Year ended June 30, 2019; and
- 2) The Finance Committee recommends to the Board of Directors to receive and file the Supplemental Financial Statements for Fiscal Year ended June 30, 2019.

Agenda Item

9

Finance Committee Meeting

Meeting Date: November 12, 2019

TO: Finance Committee

FROM: Betty Burnett, General Manager

STAFF CONTACT: Mary Carey, Finance Controller

SUBJECT: Draft Use Audit FY 2018-19 Budget vs. Actual including Cash Roll Forward as of June 30, 2019

Summary/Discussion

Fiscal Year 2018-19 Draft Use Audit (electronic version) including Cash Roll Forward as of June 30, 2019 was sent to Finance Officers on October 31, 2019. ***(Under separate cover)***

The Finance Officers were asked to review the documents and comment as needed. SOCWA's Finance Staff scheduled a meeting with the Finance Officers for November 7, 2019, after the Board meeting, for discussion and review.

Recommended Action:

- 1) The Finance Committee recommends to the Board of Directors approval of the 2018-19 Use Audit and collection from and payments to SOCWA member agencies consistent with the results of the Use Audit as presented; and
- 2) The Finance Committee recommends to the Board of Directors to receive and file the Cash Roll Forward as of June 30, 2019.

Agenda Item

10

Finance Committee Meeting

Meeting Date: November 12, 2019

TO: Finance Committee

FROM: Betty Burnett, General Manager

STAFF CONTACT: Mary Carey, Finance Controller

SUBJECT: Q1 FY 2019-20 Cash Roll Forward as of September 30, 2019

Summary/Discussion

The following selected financial reports are routinely provided quarterly to the Finance Committee for recommendation to the Board of Directors to review Cash Roll Forward and receive and file the following documents.

Cash Roll Forward Q1, September 30, 2019

Cash Roll Forward balances are attached:

- Cash Roll Forward Notes
- Large Capital Cash Reconciliation to General Ledger (GL)
- Large Capital Cash Roll Forward Balance by Project Committee and Project
- Non Capital Cash Roll Forward Balance by Project Committee and Project
- Non Capital – Miscellaneous Cash Roll Forward Balance by Project Committee and Project
- Small Capital Cash Roll Forward balance by Project Committee and Project

Recommended Action:

Staff recommends the Finance Committee recommend the Board to receive and file the Q1 Fiscal Year 2019-20 Cash Roll Forward as submitted.

South Orange County Wastewater Authority
Cash Reconciliation
Fiscal Year End 2016, 2017, 2018, 2019 & Q1 2020 Preliminary*

					Q1 YTD
					9/30/2019
	6/30/2016	6/30/2017	6/30/2018	6/30/2019	
(1) Cash on Hand	5,777,486	12,949,694	13,557,237	20,857,094	24,960,688
Accounts Payable	(2,453,079)	(2,682,688)	(2,314,106)	(1,981,080)	(1,479,730)
Accrued Payroll	(129,958)	(102,661)	(127,396)	(100,221)	(27,792)
Accounts Receivable	316,772	1,069,282	1,660,444	14,179	1,656
(2) PTO Reserves	(684,767)	(653,282)	(620,032)	(683,536)	(752,001)
Due to Mbr Agency	(1,692,399)	(1,358,841)	(3,910,599)	(2,475,322)	(2,475,322)
Due From Mbr Agency	1,316,255	1,069,819	2,433,322	856,669	856,669
Mbr Agency Refund held for FY 19-20				(1,068,028)	
Audit Adjustment	311,131				
Prepaid	65,614	65,082	204,867	211,725	284,033
Deposits	18,000	19,500	-		
(3) Available Cash	2,845,055	10,375,905	10,883,737	15,631,481	21,368,200
(4) Large Capital Cash as of June 30th 2016, 2017, 2018 & 2019	2,223,007	9,168,439	8,793,369	15,067,539	20,800,492
(5) Non Capital Engineering Cash Balance		295,062	(81,041)		
Moulton Niguel Non Capital Engineering Accounts Receivable		(21,831)	(22,416)		
Moulton Niguel Large Capital Accounts Receivable		649,490	1,382,368		
Add Use Audit Settlement FY 17-18			216,467		
Add Use Audit Settlement FY 16-17	211,626	(49,931)	(49,931)		
Total Large Capital Cash	2,434,633	10,041,229	10,238,817	15,067,539	20,800,492
Small Capital Carryover	129,000	(129,000)		172,996	172,996
Mbr Agency Refund held for FY 19-20		76,318		76,318	76,318
Cash Collected for PC 2 Zephyr Wall					
Q1 Billings greater than expenditures:					
O&M					2,522
Non-Capital					115,681
Non-Capital Misc					106,252
Small Capital					246,721
Outstanding AP					67,265
CalPERS Advance Payment					(650,503)
Other misc., fringe adj., interest adj., etc.		22,331	(4,916)		
Net Cash as of June 30th 2016, 2017, 2018, 2019 & Q1 2020	2,563,633	10,010,879	10,233,900	15,316,853	20,937,744
(6) Difference	281,422	365,027	649,837	314,628	430,456

Additional Cash Is:				
Prior Year Balance	281,422	365,027	649,837	314,628
Payment to Member Agencies			(649,837)	
County of Orange Bankruptcy Payment	18,714			
County of Orange Admin Fees	13,626			
County of Orange Access Maintenance	3,000			
City of Laguna Niguel Heat Transfer	31,320			
SMWD Lab Fees	17,820			
Coke machine	30			
FEMA Reimbursement		136,995		
Interest Income Received	24,587	45,294	114,150	249,482
Recycling Income	16,710	11,708	2,112	1,618
PC 23 Admin Payment		9,135		
Mutual Omaha Refund		8,034		
Interest received for 4th qtr		4,934	25,256	52,302
LAIF Interest Adj.		3,000		
Grant Revenue		1,500		
Other misc. expenses (fringe adj., interest adj., etc.)				
Sale of Fixed Assets	20,289		6,297	11,226
Other misc adjustments	135,326			
Total Other Cash	281,422	365,027	649,837	314,628

* Quarterly reconciliations are preliminary because a "Hard Close" is done only at year-end.

South Orange County Wastewater Authority

Total Large Capital Projects Cash Roll Forward for Q1 FY 2019-20

Large Capital Cash Balance as of September 30, 2019										
	16	17	18	19	20	21	22	23	24	
	CLB	CSC	CSJC	ETWD	EBSD	IRWD	MNWD	SMWD	SCWD	Total
PC 02 J B Latham										
Liquids										
3202-000 - Preliminary and Primary Treatment Improvements Design (2016)	-	-	79,957	-	-	-	60,008	45,011	75,012	259,988
3250-000 - Plant 1 Grit Basins and Handling (2017)	-	-	(51,746)	-	-	-	(38,783)	(29,083)	(48,479)	(168,091)
3252-000 - Plant 1 Standby Power Generator Repl (2017)	-	-	57,666	-	-	-	43,271	32,455	54,090	187,482
3253-000 - Effluent System Valves Replacement (2107)	-	-	27,244	-	-	-	21,598	16,200	26,997	92,039
3254-000 - Additional Package B Liquids Design (2017)	-	-	46,669	-	-	-	35,016	26,262	43,771	151,718
3280-000 - Facility Improvements B - Basin Upgrades (2018)	-	-	15,599	-	-	-	11,767	8,895	14,732	50,994
3285-000 - Main Plant Drain Line Reconstruction (2018)	-	-	33,322	-	-	-	25,003	18,753	31,253	108,330
3215-000 - Motor Control Center M Replacement Design (2019)	-	-	9,903	-	-	-	7,428	5,571	9,284	32,186
3220-000 - Facility Improvements B - Basin Upgrades Construction I (2019)	-	-	708,724	-	-	-	531,543	398,657	664,429	2,303,353
Total PC 02 Liquids	-	-	927,339	-	-	-	696,851	522,721	871,088	3,017,999
Common										
3216-000 - Hoist System for Maintenance Shop (2013)	-	-	(35)	-	-	-	(26)	(26)	(28)	(115)
3218-000 - Energy Building Roof reconstruction (2014)	-	-	(103)	-	-	-	(76)	(78)	(83)	(340)
3260-000 - SCADA System Upgrade (2017)	-	-	25,451	-	-	-	18,754	19,157	20,467	83,829
3286-000 - PLC Upgrades (2018)	-	-	15,568	-	-	-	11,464	11,712	12,516	51,260
3221-000 - Electrical System Evaluation (2019)	-	-	19,334	-	-	-	14,221	14,535	15,541	63,631
3231-000 Facility Improvements B - Common Upgrades Construction	-	-	31,624	-	-	-	23,261	23,775	25,420	104,081
Total PC 02 Common	-	-	91,839	-	-	-	67,599	69,075	73,833	302,345
Solids										
3209-000 - Facility Improvements - Co-Generation Rep. (2016)	-	-	367,232	-	-	-	264,654	347,399	244,823	1,224,108
3210-000 - Facility Improvements - Solids Area (2015)	-	-	(5,817)	-	-	-	(4,193)	(5,503)	(3,878)	(19,391)
3287-000 - Facility Improvements B - DAFT and Ancillary Solids Improvements	-	-	663,736	-	-	-	478,357	627,869	442,490	2,212,452
3222-000 - Centrate System Design (2019)	-	-	24,826	-	-	-	17,893	23,484	16,551	82,754
3223-000 - Emulsion Polymer Feeder Replacement (2019)	-	-	36,060	-	-	-	25,989	34,111	24,040	120,200
3224-000 - Digester No.4 Rehabilitation (2019)	-	-	136,542	-	-	-	98,408	129,161	91,028	455,139
3225-000 - Facility Improvements B - DAFT and Ancillary Solids Improvement	-	-	(1,595)	-	-	-	(1,150)	(1,509)	(1,063)	(5,317)
Total PC 02 Solids	-	-	1,220,984	-	-	-	879,959	1,155,013	813,990	4,069,945
Total PC2 JB Latham	-	-	2,240,162	-	-	-	1,644,408	1,746,808	1,758,911	7,390,289
PC 05 San Juan Creek Ocean Outfall										
3601-000 Junction Structure Reinforcement Phase II (2016)	-	31,734	21,156	-	-	-	29,614	84,624	23,810	190,938
3602-000 Emergency Plan Development (2016)	-	(0)	-	-	-	-	-	-	-	(0)
3603-000 Dilution Study (2016)	-	9,889	6,593	-	-	-	9,228	26,370	7,420	59,500
3650-000 - Junction Structure Reinforcement Construction (2017)	-	4,294	2,863	-	-	-	4,007	10,962	3,220	25,346
3605-000 - Junction Structure Reinforcement Permitting and Final Design	-	15,837	10,558	-	-	-	14,779	42,232	11,882	95,288
Total PC5 San Juan Creek Ocean Outfall	-	61,753	41,170	-	-	-	57,628	164,188	46,333	371,072

South Orange County Wastewater Authority

Total Large Capital Projects Cash Roll Forward for Q1 FY 2019-20

	Large Capital Cash Balance as of September 30, 2019									
	16	17	18	19	20	21	22	23	24	
	CLB	CSC	CSJC	ETWD	EBSD	IRWD	MNWD	SMWD	SCWD	Total
PC 15 Coastal Treatment Plant										
Liquids										
3504-000 - Aeration System Modification Design (2015)	44,267	-	-	-	3,491	-	34,155	-	34,855	116,768
3509-000 - Switchgear Replacement Design (2016)	55,901	-	-	-	4,406	-	43,131	-	44,016	147,453
3510-000 - East Primary/Aeration Grating Rebate and Concrete Repair (20	(2)	-	-	-	(0)	-	(1)	-	(1)	(5)
3514-000 - CTP Facility Upgrade Design and Financing (2016)	151,466	-	-	-	11,951	-	116,863	-	119,261	399,540
3530-000 Aliso Sulfur Creek Confluence (2014)	(1,821)	-	-	-	(143)	-	(1,405)	-	(1,434)	(4,803)
3532-000 - Fire Protection (2013)	12,081	-	-	-	952	-	8,684	-	9,513	31,230
3534-000 - Export Sludge System (1997)	281,810	-	-	-	22,195	-	217,454	-	221,897	743,356
3539-000 Facility Construction Improvements - Part II (2020)	427,157	-	-	-	33,634	-	329,617	-	336,344	1,126,753
3551-000 - Add for CTP Facility Upgrade Design (2017)	55,357	-	-	-	4,365	-	42,713	-	43,588	146,023
3552-000 SCADA System Improvements (2017)	46,760	-	-	-	3,689	-	36,077	-	36,819	123,344
3553-000 - Plant Drainage Improvements (2017)	68,760	-	-	-	5,420	-	53,056	-	54,142	181,379
3592-000 - Facility Improvements Project Design (2018)	25,310	-	-	-	2,065	-	19,479	-	19,921	66,775
3593-000 - Primary Sludge Valve Replacement (2018)	33,027	-	-	-	2,604	-	25,482	-	26,004	87,117
3594-000 - PLC Replacement (2018)	31,464	-	-	-	2,480	-	24,276	-	24,776	82,996
3595-000 - Primary Device Electrical Conduit and Conductor Replacement	38,288	-	-	-	3,020	-	29,544	-	30,148	101,000
3525-000 - Personnel Building reconstruction (2019)	54,231	-	-	-	4,270	-	41,847	-	42,701	143,050
3526-000 - Facility Improvements Project Construction - Part I (2019)	(529)	-	-	-	(42)	-	(408)	-	(416)	(1,394)
3527-000 - Vehicle Storage Building Roof (2019)	32,224	-	-	-	2,537	-	24,866	-	25,373	85,000
3528-000 - AWMA Road Sites West 1 and West 2 Embankment Protection	65,108	-	-	-	5,127	-	50,241	-	51,266	171,742
3529-000 - Aliso Creek Long Term Repair Planning	31,276	-	-	-	2,463	-	24,134	-	24,627	82,500
3541-000 Export Sludge System Construction (2020)	515,456	-	-	-	40,587	-	397,753	-	405,871	1,359,667
Total PC 15 Liquids	1,967,590	-	-	-	155,070	-	1,517,559	-	1,549,269	5,189,488
AWT										
3517-000 - AWT Backwash Pump Replacement (2016)	-	-	-	-	-	-	-	-	(298)	(298)
3518-000 - Chlorine Mixer Replacement (15AWT) (2015)	-	-	-	-	-	-	-	-	(7)	(7)
3532-000 - Fire Protection	-	-	-	-	-	-	-	-	(31,230)	(31,230)
3562-000 - Applied Water Pump System Replacement (AWT) (2017)	-	-	-	-	-	-	-	-	122,161	122,161
3596-000 - Applied Water VFD Pump Panel and Electrical (AWT) (2018)	-	-	-	-	-	-	-	-	17,305	17,305
3597-000 - MCC A Replacement Design (15) (2018)	-	-	-	-	-	-	-	-	55,890	55,890
3536-000 - Chlorine Contact Basin Mixer Design (AWT) (2018)	-	-	-	-	-	-	-	-	47,876	47,876
3537-000 - MCC A Replacement Construction (AWT) (2019)	-	-	-	-	-	-	-	-	(27,437)	(27,437)
3538-000 - AWT Filter Valve Upgrade Construction (AWT) (2019)	-	-	-	-	-	-	-	-	(26,474)	(26,474)
Total PC 15 AWT	-	-	-	-	-	-	-	-	157,787	157,787
Total PC 15 Coastal Treatment Plant	1,967,590	-	-	-	155,070	-	1,517,559	-	1,707,056	5,347,275

South Orange County Wastewater Authority

Total Large Capital Projects Cash Roll Forward for Q1 FY 2019-20

Large Capital Cash Balance as of September 30, 2019									
16	17	18	19	20	21	22	23	24	
CLB	CSC	CSJC	ETWD	EBSD	IRWD	MNWD	SMWD	SCWD	Total
PC 17 Joint Regional Wastewater Reclamation									
Liquids									
3701-000 - Secondary Electrical System Rerouting (2014)	-	-	-	-	-	682,336	-	-	682,336
3702-000 - Waste Activated Sludge VFD Control Panel (2013)	-	-	-	-	-	361,970	-	-	361,970
3707-000 - Influent Manholes 1 and 2 and Sewer Rehabilitation (2016)	-	-	-	-	-	(121)	-	-	(121)
3708-000 - Influent Junction Structure Gate Replacement (2016)	-	-	-	-	-	(18)	-	-	(18)
3712-000 - Grit Basin Drop Gate and Weir Replacement (2016)	-	-	-	-	-	(4,681)	-	-	(4,681)
3713-000 - Primary Inlet Drop Gate Replacement (2016)	-	-	-	-	-	(5)	-	-	(5)
3730-000 - Primary Gallery Upgrade (2014)	-	-	-	-	-	127,994	-	-	127,994
3733-000 AWT Backwash Pipe Relocation (2014)	-	-	-	-	-	(602)	-	-	(602)
3752-000 - AWT No.2 Upgrade Design (2017)013)	-	-	-	-	-	(382)	-	-	(382)
3753-000 Aeration Diffuser Upgrade (2020)	-	-	-	-	-	74,851	-	-	74,851
3758-000 AWT No.2 Reconstruction (2020)	-	-	-	-	-	252,749	-	-	252,749
3781-000 - Primary Scum Skimmer Replacement (2018)	-	-	-	-	-	16,603	-	-	16,603
3784-000 - Replace DAF (Mannich) Polymer System (2018)	-	-	-	-	-	674,856	-	-	674,856
3785-000 - Replace DAF Dissolution Tank System and Compressors (2018)	-	-	-	-	-	376,372	-	-	376,372
3786-000 - Primary Gallery Mechanical and Electrical Upgrade (2018)	-	-	-	-	-	1,094,603	-	-	1,094,603
3787-000 - Aeration Area Upgrade Design (2018)	-	-	-	-	-	81,255	-	-	81,255
3741-000 - Southwest Influent Sewer and MH Repair design (2019)	-	-	-	-	-	100,506	-	-	100,506
3742-000 - Aeration System Upgrade (2019)	-	-	-	-	-	196,771	-	-	196,771
3743-000 - Aeration Gate Replacement (2019)	-	-	-	-	-	87,197	-	-	87,197
3756-000 Secondary Clarifier Safety Repairs (2020)	-	-	-	-	-	7,665	-	-	7,665
3757-000 Miscellaneous Safety Improvements - Liquids (2020)	-	-	-	-	-	14,178	-	-	14,178
3759-000 AWT No.2 Electrical Upgrades (2020)	-	-	-	-	-	35,366	-	-	35,366
3766-000 AWT Sodium Hypochlorite Tanks Shade (2020)	-	-	-	-	-	28,471	-	-	28,471
Total PC 17 Liquids	-	-	-	-	-	4,207,933	-	-	4,207,933
Common									
3715-000 - Switchgear Upgrade (2006)	(2,834)	-	-	(4,638)	(149)	(35,320)	-	(2,265)	(45,207)
3717-000 - Security Fencing (2015)	86	-	-	7	4	(165)	-	68	-
3718-000 - Access Bridge Upgrades (2015)	650	-	-	48	29	(1,257)	-	521	(8)
3761-000 - External Lighting Upgrade	22,511	-	-	38,296	1,191	293,960	-	17,987	373,946
3763-000 - Reroute Drains on Plant Perimeter (2017)	1,687	-	-	3,073	90	23,898	-	1,349	30,096
3764-000 - SCADA Improvements (2017)	1,945	-	-	4,755	109	38,717	-	1,548	47,075
3769-000 Trailer Drain Line (2020)	3,494	-	-	5,717	184	43,536	-	2,792	55,723
3788-000 - PLC Upgrade	(3,255)	-	-	(4,470)	(168)	(32,677)	-	(2,603)	(43,173)
3789-000 - Switchgear Upgrade Project Completion (2018)	(920)	-	-	(1,505)	(48)	(11,459)	-	(735)	(14,666)
3744-000 - Admin Building Repair design (2019)	2,428	-	-	3,974	128	30,258	-	1,941	38,728
3745-000 - West Slope Protection Evaluation (2019)	3,190	-	-	5,219	168	39,745	-	2,549	50,872
3746-000 - Motor Control Center A, G, H Design (2019)	9,547	-	-	15,623	502	118,966	-	7,630	152,268
3747-000 -Southside Plant Manhole Reconstruction (2019)	2,036	-	-	3,332	107	25,370	-	1,627	32,472
3748-000 - SE electrical Manhole reconstruction (2019)	8,935	-	-	14,621	470	111,334	-	7,140	142,500

South Orange County Wastewater Authority

Total Large Capital Projects Cash Roll Forward for Q1 FY 2019-20

	Large Capital Cash Balance as of September 30, 2019									
	16	17	18	19	20	21	22	23	24	
	CLB	CSC	CSJC	ETWD	EBSD	IRWD	MNWD	SMWD	SCWD	Total
Total PC 17 Common	49,499	-	-	84,052	2,617	-	644,908	-	39,550	820,626
Solids										
3722-000 - Co-gen Sys Retrofit (formerly Siloxane) (2015)	19,152	-	-	34,842	1,004	-	100,401	-	15,297	170,697
3724-000 Energy Building Structural and HVAC Modifications (2015)	(963)	-	-	(1,752)	(51)	-	(5,048)	-	(769)	(8,583)
3726-000 Co-Generation System Retrofit Design	(374)	-	-	(681)	(20)	-	(1,961)	-	(299)	(3,335)
3790-000 - Solids Area Upgrade Design (2018)	3,287	-	-	5,979	173	-	17,234	-	2,625	29,298
3791-000 - Cogeneration Area Upgrade Project Completion (2018)	1	-	-	1	-	-	1	-	1	2
3749-000 - Phase I Solids Piping Upgrade (2019)	86,705	-	-	157,723	4,559	-	454,545	-	69,241	772,773
3750-000 - Dewatering room Floor Sealing and Lighting (2019)	12,365	-	-	22,493	650	-	64,822	-	9,874	110,204
3751-000 - Energy Building Roof and Breezeway (2019)	66,664	-	-	121,266	3,505	-	349,480	-	53,236	594,151
3754-000 - SET Piping Reconstruction (2019)	6,115	-	-	11,123	322	-	32,057	-	4,883	54,500
3771-000 Miscellaneous Safety Improvements - Solids (2020)	1,591	-	-	2,894	84	-	8,340	-	1,270	14,179
3772-000 Hot Water Piping Reconstruction (2020)	35,139	-	-	63,920	1,848	-	184,211	-	28,061	313,178
3773-000 Co-Generation System Modifications (2020)	6,778	-	-	12,330	356	-	35,534	-	5,413	60,412
Total PC 17 Solids	236,459	-	-	430,138	12,431	-	1,239,617	-	188,834	2,107,478
Total PC 17 Joint Regional Wastewater Reclamation	285,958			514,190	15,047		6,092,458		228,384	7,136,037
PC 21 Effluent Transmission Main										
Reach B/C/D										
3101-000 - Trail Bridge Crossing Protection - Phase I (D) (2016)	-	-	-	102,203	-	102,201	-	-	-	204,405
3105-000 Air Valve Replacement Design and Permitting (D) (2020)	-	-	-	16,033	-	16,033	-	-	-	32,066
Total PC21 Reach B/C/D	-	-	-	118,236	-	118,234	-	-	-	236,471
Reach E										
3104-000 - Aliso Creek Long term Repair Planning (E) (2019)	-	-	-	40,752	-	40,752	-	-	-	81,504
3106-000 Air Valve Replacement Design and Permitting (E) (2020)	-	-	-	9,682	-	9,682	22,207	-	-	41,571
Total PC21 Reach E	-	-	-	50,434	-	50,434	22,207	-	-	123,075
Total PC 21 Effluent Transmission Main	-	-	-	168,670	-	168,668	22,207	-	-	359,546
PC 24 Aliso Creek Ocean Outfall										
3401-000 - Emergency Plan Development (2016)	2,679	-	-	3,969	190	3,838	10,678	-	2,998	24,351
3408-000 Sampling System Repair (2020)	5,242	-	-	7,767	372	7,510	20,895	-	5,866	47,650
3480-000 - Internal Seal Replacement (2018)	13,670	-	-	20,256	969	19,585	54,493	-	15,298	124,272
Total PC 24 Aliso Creek Ocean Outfall	21,590	-	-	31,992	1,531	30,933	86,066	-	24,162	196,273
Total Large Capital Cash	2,275,138	61,753	2,281,332	714,852	171,648	199,601	9,420,326	1,910,996	3,764,845	20,800,492

**South Orange County Wastewater Authority
Total Non-Capital Projects Billings for Q1 FY 2019-20**

Non-Capital Cash Balance as of September 30, 2019										
	16	17	18	19	20	21	22	23	24	
	CLB	CSC	CSJC	ETWD	EBSD	IRWD	MNWD	SMWD	SCWD	Total
PC 02 J B Latham										
Total Liquids	-	-	10,918	-	-	-	8,192	6,139	10,238	35,487
Total Common	-	-	(3,872)	-	-	-	(2,840)	(2,904)	(3,108)	(12,723)
Total PC2 JB Latham	-	-	7,047	-	-	-	5,352	3,236	7,130	22,764
PC 15 Coastal Treatment Plant										
Total Liquids	17,928	-	-	-	1,412	-	13,834	-	14,117	47,291
Total PC 15 Coastal Treatment Plant	17,928	-	-	-	1,412	-	13,834	-	14,117	47,291
PC 17 Joint Regional Wastewater Reclamation										
Total Common	2,861	-	-	4,681	151	-	35,647	-	2,286	45,626
Total PC 17 Joint Regional Wastewater Reclamation	2,861	-	-	4,681	151	-	35,647	-	2,286	45,626
Total Non Capital Cash	20,789	-	7,047	4,681	1,562	-	54,833	3,236	23,533	115,681

South Orange County Wastewater Authority
Total Non Capital Miscellaneous Projects Billings for Q1 FY 2019-20

		Non Capital Miscellaneous Cash Balance as of September 30, 2019									
		16	17	18	19	20	21	22	23	24	Total
		CLB	CSC	CSJC	ETWD	EBSB	IRWD	MNWD	SMWD	SCWD	
PC 02 J B Latham											
Liquids											
5205-000(a)	PC 2 Asset Register Pilot Project Liquids (2020)	-	-	3,846	-	-	-	2,885	2,163	3,606	12,500
Total Liquids		-	-	3,846	-	-	-	2,885	2,163	3,606	12,500
Common											
5203-000	PC 2 Miscellaneous Engineering Common (2020)	-	-	3,912	-	-	-	2,877	2,941	3,144	12,875
Total PC 2 Common		-	-	3,912	-	-	-	2,877	2,941	3,144	12,875
Solids											
5204-000(a)	PC 2 Innovative Biosolids Solids (2020)	-	-	5,625	-	-	-	4,054	5,321	3,750	18,750
Total PC 2 Solids		-	-	5,625	-	-	-	4,054	5,321	3,750	18,750
Total PC2 JB Latham		-	-	13,383	-	-	-	9,816	10,425	10,500	44,125
PC 05 San Juan Creek Ocean Outfall											
5615-000	PC 5 Miscellaneous Engineering Outfall (2020)	-	426	284	-	-	-	398	1,136	320	2,563
Total PC05 SJ Creek Outfall		-	426	284	-	-	-	398	1,136	320	2,563
PC 15 Coastal Treatment Plant											
Liquids											
5501-000	PC 15 Miscellaneous Engineering Liquids (2020)	2,488	-	-	-	196	-	1,920	-	1,959	6,563
Total PC 15 Liquids		2,488	-	-	-	196	-	1,920	-	1,959	6,563
AWT											
5504-000	PC 15 Miscellaneous Engineering AWT (2020)	-	-	-	-	-	-	-	-	3,750	3,750
Total PC 15 AWT		-	-	-	-	-	-	-	-	3,750	3,750
Total PC 15 Coastal Treatment Plant		2,488	-	-	-	196	-	1,920	-	5,709	10,313
PC 17 Joint Regional Wastewater Reclamation											
Common											
5703-000	PC 17 Miscellaneous Engineering Common (2020)	807	-	-	1,321	42	-	10,059	-	645	12,875
Total PC 17 Common		807	-	-	1,321	42	-	10,059	-	645	12,875
Solids											
5204-000(b)	PC 17 Innovative Biosolids Solids (2020)	2,104	-	-	3,827	111	-	11,029	-	1,680	18,750
5205-000(b)	PC 17 Asset Register Pilot Project Solids (2020)	1,403	-	-	2,551	74	-	7,353	-	1,120	12,500
Total PC 17 Solids		3,506	-	-	6,378	184	-	18,381	-	2,800	31,250
Total PC 17 Joint Regional Wastewater Reclamation		4,314	-	-	7,699	227	-	28,440	-	3,445	44,125
PC 21 Effluent Transmission Main											
Reach B/C/D											
5113-000	PC 21 Miscellaneous Engineering B/C/D (2020)	-	-	-	657	-	657	-	-	-	1,313
Total Reach B/C/D		-	-	-	657	-	657	-	-	-	1,313
Reach E											
5114-000	PC 21 Miscellaneous Engineering E (2020)	-	-	-	291	-	291	668	-	-	1,250
Total Reach E		-	-	-	291	-	291	668	-	-	1,250
Total PC 21 Effluent Transmission Main		-	-	-	948	-	948	668	-	-	2,563
PC 24 Aliso Creek Ocean Outfall											
5415-000	PC 24 Miscellaneous Engineering Outfall (2020)	282	-	-	418	20	404	1,124	-	316	2,563
Total PC 24 Aliso Creek Outfall		282	-	-	418	20	404	1,124	-	316	2,563
Total Non Capital Miscellaneous Cash		7,084	426	13,667	9,064	443	1,352	42,366	11,561	20,290	106,252

South Orange County Wastewater Authority
Total Small Capital Projects Billings for Q1 FY 2019-20

		Small Capital Cash Balance as of September 30, 2019								
		16	17	18	19	20	21	22	23	24
		CLB	CSC	CSJC	ETWD	EBSD	IRWD	MNWD	SMWD	SCWD
		Total								
PC 02 J B Latham										
Liquids										
2246-000	Primary Motor Operated Valves	-	-	(402)	-	-	-	(302)	(226)	(377)
2219-015	New Scum Pump and Controls	-	-	5,489	-	-	-	4,117	3,087	5,146
2219-021	Spare Vulcan or Grit Separator	-	-	(2,705)	-	-	-	(2,028)	(1,521)	(2,536)
2220-001	2 ISCO Samplers (between 3 PC's)	-	-	(1,126)	-	-	-	(844)	(633)	(1,055)
2220-002	Laboratory Equipment and Probe Replacements (between 3 PC's)	-	-	1,538	-	-	-	1,154	865	1,442
2220-003	Motor Operated Valve Replacements	-	-	1,154	-	-	-	865	649	1,082
2220-004	Pump Overhaul - Replacements - RSP/Effluent/Bleach	-	-	(4,692)	-	-	-	(3,519)	(2,639)	(4,399)
2220-005	Exhaust fan replacements	-	-	769	-	-	-	577	433	721
2220-006	Effluent pump station gas line	-	-	1,154	-	-	-	865	649	1,082
2220-007	Replacement Check Valves	-	-	769	-	-	-	577	433	721
2220-008	9-side Raw Sewage Pump Rebuild	-	-	1,923	-	-	-	1,442	1,082	1,803
2220-009	Stock pri & sec flights and chain	-	-	769	-	-	-	577	433	721
2220-010	Replacement Grit Separator	-	-	2,846	-	-	-	2,135	1,601	2,668
2220-011	Sample processing station relocation project	-	-	769	-	-	-	577	433	721
2220-012	Roll-up and Double Door Replacements	-	-	3,077	-	-	-	2,308	1,731	2,885
2220-013	Aeration Diffuser Cleaning System	-	-	1,538	-	-	-	1,154	865	1,442
2220-014	HVAC Replacements	-	-	1,154	-	-	-	865	649	1,082
Total Liquids		-	-	14,026	-	-	-	10,520	7,890	13,150
Common										
2219-041	JBL Wireless Project	-	-	33,423	-	-	-	24,584	25,127	26,865
2219-048	Agenda Preparation Software / Audio Visual Hardware	-	-	(22,567)	-	-	-	(16,599)	(16,966)	(18,139)
2220-015	Safety Equipment	-	-	2,279	-	-	-	1,676	1,713	1,832
2220-016	Replacement sump pump	-	-	760	-	-	-	559	571	611
2220-017	Replacement Access Gate Operators	-	-	1,519	-	-	-	1,117	1,142	1,221
2220-018	Fixed Gas Detector Equipment	-	-	1,519	-	-	-	1,117	1,142	1,221
2220-019	Stanley Security Access Expansion 2019	-	-	1,139	-	-	-	838	857	916
2220-020	Two Utility Vehicles	-	-	4,938	-	-	-	3,632	3,712	3,969
2220-021	Replacement Air Compressor	-	-	570	-	-	-	419	428	458
2220-022	Gate Operator	-	-	2,279	-	-	-	1,676	1,713	1,832
2220-023	Lighting System Improvements	-	-	1,139	-	-	-	838	857	916
Total PC 2 Common		-	-	26,998	-	-	-	19,858	20,297	21,701
Solids										
2219-035	Spare Cogen Parts	-	-	(10,833)	-	-	-	(7,808)	(10,248)	(7,222)
2219-039	Centrifuge Rebuild	-	-	15,000	-	-	-	10,811	14,189	10,000
2220-024	Digester valves	-	-	4,500	-	-	-	3,243	4,257	3,000
2220-025	Replacement Recirc Pump	-	-	788	-	-	-	568	745	525
2220-026	Replacement Pumps - Ferric/RAS/Recirculation	-	-	750	-	-	-	541	709	500
2220-027	Replacement Valves	-	-	1,125	-	-	-	811	1,064	750
2220-028	Pump Overhaul - Replacements - Primary/Secondary RAS-WAS	-	-	2,250	-	-	-	1,622	2,128	1,500
2220-029	Centrifuge Support Equipment	-	-	1,125	-	-	-	811	1,064	750
2220-030	Replacement Seepex pump	-	-	2,250	-	-	-	1,622	2,128	1,500
2220-031	Centrifuge Rebuild	-	-	3,750	-	-	-	2,703	3,547	2,500
Total PC 2 Solids		-	-	20,704	-	-	-	14,922	19,585	13,803
Total PC2 JB Latham		-	-	61,728	-	-	-	45,300	47,772	48,653
PC 05 San Juan Creek Ocean Outfall										
2620-001	Fecal Incubator Replacement (between 5 and 24)	-	114	76	-	-	-	107	305	86
Total PC05 SJ Creek Outfall		-	114	76	-	-	-	107	305	86
PC 15 Coastal Treatment Plant										
Liquids										
2568-000	Valves	7,582	-	-	-	597	-	5,851	-	5,970
2519-006	Commercial Door	(7,845)	-	-	-	(618)	-	(6,053)	-	(6,177)
2219-021	Spare Vulcan or Grit Separator	(1,957)	-	-	-	(154)	-	(1,510)	-	(1,541)
2220-001	2 ISCO Samplers (between 3 PC's)	(1,387)	-	-	-	(109)	-	(1,070)	-	(1,092)
2220-002	Laboratory Equipment and Probe Replacements (between 3 PC's)	(2,664)	-	-	-	(210)	-	(2,056)	-	(2,098)
2520-003	Replacement Scrubber Water Softener	948	-	-	-	75	-	731	-	746
2520-004	Pump Overhaul/Replacements	2,369	-	-	-	187	-	1,828	-	1,866
2520-005	Replacement Grit Auger	5,687	-	-	-	448	-	4,388	-	4,478
2520-006	Replacement Scum Pumps	7,108	-	-	-	560	-	5,485	-	5,597
2520-007	Chain and Flights	1,422	-	-	-	112	-	1,097	-	1,119
2520-008	Drive Overhaul/Replacements	1,422	-	-	-	112	-	1,097	-	1,119
2520-009	Process water pump replacement	948	-	-	-	75	-	731	-	746
2520-010	Headworks Building Recoating	2,369	-	-	-	187	-	1,828	-	1,866
2520-011	Valves	2,369	-	-	-	187	-	1,828	-	1,866
2520-012	Aeration Panel Replacement	1,896	-	-	-	149	-	1,463	-	1,493
2520-013	Ventilation Fan Replacement	5,687	-	-	-	448	-	4,388	-	4,478
2520-014	Roll-up and Double Door Replacements	4,265	-	-	-	336	-	3,291	-	3,358
2520-015	Grinding Pump Replacement	2,369	-	-	-	187	-	1,828	-	1,866
2573-000	Headwork Ventilation Fans	(18,197)	-	-	-	(1,433)	-	(14,042)	-	(14,328)
Total PC 15 Liquids		14,390	-	-	-	1,133	-	11,104	-	11,331
Common										
2580-000	Safety Equipment	5,219	-	-	-	411	-	4,027	-	4,109
2520-016	Safety Equipment	2,843	-	-	-	224	-	2,194	-	2,239
2520-017	HVAC Replacements	2,843	-	-	-	224	-	2,194	-	2,239
2520-018	Stanley Security Access Expansion 2019	1,422	-	-	-	112	-	1,097	-	1,119
2520-019	Landscape renovation	3,791	-	-	-	299	-	2,925	-	2,985
2520-020	Microscope	569	-	-	-	45	-	439	-	448
2520-021	Additional Parameter Fencing and Gates	948	-	-	-	75	-	731	-	746
2520-022	Fixed Gas Detector Equipment	1,896	-	-	-	149	-	1,463	-	1,493
Total PC 15 Common		19,530	-	-	-	1,538	-	15,070	-	15,378
AWT										
2520-023	Spare Bleach Pump	-	-	-	-	-	-	-	2,500	2,500
2520-024	Replacement Analyzer Equipment	-	-	-	-	-	-	-	5,000	5,000
2520-025	AWT Bleach Pump Pad Cover	-	-	-	-	-	-	-	2,500	2,500
Total PC 15 AWT		-	-	-	-	-	-	-	10,000	10,000
Total PC 15 Coastal Treatment Plant		33,920	-	-	-	2,671	-	26,174	-	36,709

South Orange County Wastewater Authority
Total Small Capital Projects Billings for Q1 FY 2019-20

		Small Capital Cash Balance as of September 30, 2019									
		16	17	18	19	20	21	22	23	24	
		CLB	CSC	CSJC	ETWD	EBSD	IRWD	MNWD	SMWD	SCWD	Total
PC 17 Joint Regional Wastewater Reclamation											
Liquids											
2219-021	Spare Vulcan or Grit Seperator	-	-	-	-	-	-	(5,163)	-	-	(5,163)
2220-001	2 ISCO Samplers (between 3 PC's)	-	-	-	-	-	-	(3,658)	-	-	(3,658)
2220-002	Laboratory Equipment and Probe Replacements (between 3 PC's)	-	-	-	-	-	-	(7,028)	-	-	(7,028)
2720-003	Interstage #2 Pump and Motor Rebuild	-	-	-	-	-	-	10,000	-	-	10,000
2720-004	RAS #24 Pump and Motor Rebuild	-	-	-	-	-	-	3,500	-	-	3,500
2720-005	RAS #4 Pump and Motor Rebuild	-	-	-	-	-	-	4,500	-	-	4,500
2720-006	RAS #6 Pump and Motor Rebuild	-	-	-	-	-	-	4,500	-	-	4,500
2720-007	RAS #66 Pump and Motor Rebuild	-	-	-	-	-	-	4,500	-	-	4,500
2720-008	Replacement Recirc Pump	-	-	-	-	-	-	3,750	-	-	3,750
2720-009	Check Valves	-	-	-	-	-	-	(22,324)	-	-	(22,324)
2720-010	Replacement Hydrogritter	-	-	-	-	-	-	18,750	-	-	18,750
2720-011	3LP Strainer Replacement Project	-	-	-	-	-	-	7,500	-	-	7,500
2720-012	Primary Tank Chain Drives	-	-	-	-	-	-	2,000	-	-	2,000
2720-013	Headworks Roll Up Door Replacement	-	-	-	-	-	-	11,250	-	-	11,250
Total PC 17 Liquids		-	-	-	-	-	-	32,077	-	-	32,077
Common											
2720-014	Slip Line Storm Water Line	1,881	-	-	3,078	99	-	23,439	-	1,503	30,000
2720-015	Safety Equipment	470	-	-	770	25	-	5,860	-	376	7,500
2720-016	Shop Modernization - Phase 2	235	-	-	385	12	-	2,930	-	188	3,750
Total PC 17 Common		2,586	-	-	4,232	136	-	32,228	-	2,067	41,250
Solids											
2720-017	Centrifuge Conveyor rehab	982	-	-	1,786	52	-	5,147	-	784	8,750
2720-018	Engine PLC-CEMS Project	1,122	-	-	2,041	59	-	5,882	-	896	10,000
2720-019	Check Valves	421	-	-	765	22	-	2,206	-	336	3,750
2720-020	Recirculation Pump	421	-	-	765	22	-	2,206	-	336	3,750
2720-021	Centrifuge Rebuild	842	-	-	1,531	44	-	4,412	-	672	7,500
2720-022	Scrubber 3 Drain Replacement	561	-	-	1,021	30	-	2,941	-	448	5,000
2720-023	Building Lighting Upgrades	1,262	-	-	2,296	66	-	6,617	-	1,008	11,250
2720-024	Flame Arrestor	(1,870)	-	-	(3,401)	(98)	-	(9,802)	-	(1,493)	(16,664)
Total PC 17 Solids		3,740	-	-	6,804	197	-	19,608	-	2,987	33,336
AWT											
2720-025	Spare Bleach Pump Parts	-	-	-	-	-	-	3,750	-	-	3,750
2720-026	Backwash Sand Interceptor Tank Project	-	-	-	-	-	-	2,500	-	-	2,500
2720-027	Bleach Tank Flange Rehab	-	-	-	-	-	-	2,500	-	-	2,500
Total PC 17 AWT		-	-	-	-	-	-	8,750	-	-	8,750
Total PC 17 Joint Regional Wastewater Reclamation		6,327	-	-	11,036	333	-	92,664	-	5,054	115,413
PC 24 Aliso Creek Ocean Outfall											
2620-001	Fecal Incubator Replacement (between 5 and 24)	76	-	-	112	5	108	302	-	85	688
Total PC 24 Aliso Creek Outfall		76	-	-	112	5	108	302	-	85	688
Total Small Capital		40,322	114	61,805	11,148	3,009	108	164,547	48,077	90,586	419,717

Agenda Item

11

Legal Counsel Review: N/A

Meeting Date: November 12, 2019

TO: Finance Committee

FROM: Betty Burnett, General Manager

STAFF CONTACT: Mary Carey, Finance Controller

SUBJECT: Draft Financial Statements and Independent Auditors' Report for the Years Ended June 30, 2019 and 2018

Summary/Discussion

Attached for your review and discussion is a draft copy of the Financial Statements and Independent Auditors' Report for the Years Ended June 30, 2019 and 2018.

Staff is in the process of changing from Basic Financial Statements to a Comprehensive Annual Financial Report (CAFR) beginning this Fiscal Year 2018-19.

Recommended Action:

Staff recommends the Finance Committee to review the Draft Financial Statements and Independent Auditor's Report for the Years Ended June 30, 2019 and 2018 as prepared by The Pun Group and recommend to the Board of Directors to receive and file.

South Orange County Wastewater Authority

Dana Point, California

Financial Statements and Independent Auditors' Report

For the Years Ended June 30, 2019 and 2018

DRAFT 10.24.2019

South Orange County Wastewater Authority

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of the South Orange County Wastewater Authority
Dana Point, California

Report on Financial Statements

We have audited the accompanying statement of net position of the South Orange County Wastewater Authority (the "Authority") as of June 30, 2019 and the related statement of revenues, expenses, and change in net position, and cash flows for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of June 30, 2019, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of the Authority's Proportionate Share of the Net Pension Liability and Related Ratios, Schedule of Contributions - Pensions, Schedule of Changes in Net OPEB Liability and Related Ratios and Schedule of Contributions - OPEB on pages 3 through 17, and 46 through 48 will be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Other Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Other Information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Santa Ana, California
October XX, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2019

This section of the financial statements of the South Orange County Wastewater Authority (Authority) is management's overview of "Key/Significant" items included in the statements and analysis of the Authority's financial activities for the fiscal year ended June 30, 2019. The information here is to be considered in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

	Changes in Net Position Year Ended June 30					
	SOCWA	PC 23	2019	2018	Dollar Change +/-	Percentage Change +/-
Net Position	\$128,489,995	\$2,496,413	\$130,986,408	\$127,152,449	\$3,833,959	3.0%
Capital Assets:						
Capital Assets Not Depreciated:						
Construction-in-Progress	12,089,211	248,667	12,337,878	20,833,802	(8,495,924)	-40.8%
Land	14,402,224		14,402,224	14,402,224	-	
Total Capital Assets Not Depreciated	26,491,435	248,667	26,740,102	35,236,026	(8,495,924)	-24.1%
Depreciable Capital Assets:						
All Classes of Depreciable Capital Assets	307,327,561	2,389,124	309,716,685	294,970,825	14,745,860	5.0%
Accumulated Depreciation	(205,674,821)	(141,378)	(205,816,199)	(198,952,950)	(6,863,249)	3.4%
Depreciable Capital Assets Net Book Value	101,652,740	2,247,746	103,900,485	96,017,875	7,882,610	8.2%
Total Capital Assets Net Book Value	128,144,174	2,496,413	130,640,587	131,253,901	(613,314)	-0.5%
Liabilities:						
GASB 75-Net OPEB Liability Position	4,747,961		4,747,961	5,358,998	(611,037)	-11.4%
GASB 68-Net Pension Liability	13,186,316		13,186,316	13,410,437	(224,121)	-1.7%
Compensated Absences	683,536		683,536	620,032	63,504	10.2%
Deferred Outflows/(Inflows):						
GASB-68 Deferred Outflows/(Inflows)	2,397,413		2,397,413	3,271,953	(874,540)	-26.7%
GASB-75 Deferred Outflows/(Inflows)	(564,130)		(564,130)	(34,043)	(530,087)	1557.1%

The Authority's Net Position increased by \$3.8 million or 3 % in comparison to a \$1 million or .8% increase in FY 2017-18 primarily due to:

- Cash increased \$7.3 million or 54% from \$13.6 million to \$20.9 million primarily due to Large Capital Cash of \$15.1 million, up \$6.3 million or 71% over FY 2017-18 balance of \$8.8 million.

Large Capital Cash Year Ended June 30					
Project Committee	2019	2018	Change +/- (-)	Change %	Reason
PC2, JB Latham Treatment Plant	\$6,342,397	\$4,272,944	\$2,069,452	48.4%	Facilities Improvement Project Refunded
PC 3A Plant		86,003	(86,003)	-100.0%	
PC 5, San Juan Creek Outfall	372,369	318,257	54,112	17.0%	Export Sludge, \$425K So Cal Edison Grant, Co-Gen Projects, \$1.4 MM, Switchgear, \$2.0MM
PC 15, Coastal Treatment Plant	2,964,659	2,153,989	810,670	37.6%	
PC 17, Regional Treatment Plant	4,938,216	1,728,156	3,210,060	185.8%	
PC 21, Effluent Transmission Main	291,371	209,669	81,702	39.0%	
PC 24, Aliso Creek Outfall	158,527	24,351	134,176	551.0%	
Total	\$15,067,539	\$8,793,369	\$6,274,169	71.4%	

- Offsetting the increase in Cash is a \$3.2 million or 76% decrease in net receivables.

Net Receivables Year Ended June 30					
Description	2019	2018	Change +/- (-)	Change %	Reason
Accounts Due from Member Agencies	\$14,179	\$1,660,444	(\$1,646,265)	-99.1%	Payment from Moulton Niguel 2 Years Use Audit Settlement Cash Balance Increase
Interest	856,669	2,433,322	(1,576,653)	-64.8%	
	113,947	52,302	61,645	117.9%	
Total	\$984,795	\$4,146,069	(\$3,161,274)	-76.2%	

Capital Assets:

Capital Assets Not Depreciated; Construction-in-Progress (CIP) decreased \$8.5 million or 41% due to \$14.2 million capital assets placed in service (SOCWA before consolidation with PC 23) compared to \$5.7 million in capital expenditures for the year.

(In Dollars)

Capital Assets, nondepreciable Year Ended June 30												
	SOCWA 2018	PC 23 2018	Total 2018	SOCWA 2019			PC 23 2019			Total 6/30/2019	Change +/(-) %	Change %
				Additions	Deletions	Balance	Additions	Deletions	Balance			
Land	14,402,224		14,402,224			14,402,224				14,402,224		
CIP	20,569,228	264,574	20,833,802	5,680,496	(14,160,513)	12,089,211	569,440	(585,347)	248,667	12,337,878	(8,495,924)	-40.8%
Total	34,971,452	264,574	35,236,026	5,680,496	(14,160,513)	26,491,435	569,440	(585,347)	248,667	26,740,102	(8,495,924)	-24.1%

CIP Additions by Project Committee are as follows and the most significant expenditures are facility improvements in PC 2 and 15 and the Switchgear Upgrade project in PC 17.

Treatment Facility	CIP Additions Amount	% Total Additions	Reason
PC 15, Coastal Treatment Plant	\$2,207,944	38.9%	Facility Improvements, \$636K Facility Improvements, \$1M Switchgear, \$396k
PC 2, JB Latham Plant	2,016,780	35.5%	
PC 17, Joint Regional Reclamation Plant	1,259,694	22.2%	
PC 21, Effluent Transmission Main	173,764	3.1%	
PC 5, San Juan Creek Ocean Outfall	21,489	0.4%	
PC 24, Aliso Creek Ocean Outfall	825	0.0%	
Sub-total CIP Additions before PC 23	5,680,496	100.0%	
PC 23 Additions	569,440		Odor Control Improvements and Infrastructure
Total CIP Additions	\$6,249,936		

Significant CIP Projects expenditures were:

FY 2018-19 Significant Capital Projects	CIP Addition Amount	% of Total Addition
PC 2, JB Latham Plant		
Facility Improvements B - Basin Upgrades (2018)	\$516,811	8%
Facility Improvements B - DAFT and Ancillary Solids	495,067	8%
Plant 1 Grit Basins and Handling (2017)	371,012	6%
Facility Improvements - Solids Area (2015)	118,520	2%
Agenda Preparation Software / Audio Visual Hardware	74,270	1%
Spare Cogen Parts	45,852	1%
Centrifuge Support Equipment	39,792	1%
Seepex split case pumps	35,026	1%
PC 15, Coastal Treatment Plant		
Facility Improvements Project Design (2018)	636,053	10%
AWT Filter Valve Upgrade Construction (AWT) (2019) -	561,805	9%
MCC A Replacement Construction (AWT) (2019) -	229,937	4%
Applied Water VFD Pump Panel and Electrical (AWT) (2018)	132,375	2%
Pump Rebuilds	76,817	1%
CTP Wireless Project	72,522	1%
Export Sludge System (1997)-	67,710	1%
Chlorine Contact Basin Mixer Design (AWT) (2018)	52,802	1%
Replacement of Existing A/C System	32,321	1%
Replacement 4X4 Vehicle	31,945	1%
PC 17, Joint Regional Reclamation Plant		
Switchgear Upgrade (2006)-	396,498	6%
PLC Upgrade	126,176	2%
Aeration Area Upgrade Design (2018)	74,936	1%
Centrifuge Rebuild	45,494	1%
Slurry Seal asphalt	44,260	1%
Interstage #2 Pump and Motor Rebuild	43,609	1%
Aeration Panels	39,145	1%
Check Valves	38,584	1%
Safety Equipment	37,795	1%
Centrifuge Incline Conveyor #2 Rehab	36,552	1%
3LP Strainer Replacement Project	32,204	1%
Motor Control Center A, G, H Design (2019) -	32,188	1%
AWT No.2 Upgrade Design (2017)-	31,591	1%
Total Significant Projects	4,569,667	73.1%
Various PC's and Capital Projects	1,680,269	26.9%
Total CIP Additions	\$6,249,936	100.0%

The Authority placed \$14.7 million assets in service during the fiscal year; the majority were in PC17, \$12.4 million or 88% of total acquisitions before PC 23 consolidation.

Treatment Facility	Acquisition Amount	% Total Additions
PC 17, Joint Regional Reclamation Plant	\$12,392,933	87.5%
PC 15, Coastal Treatment Plant	1,436,297	10.1%
PC 2, JB Latham Plant	331,283	2.3%
Sub-total Acquisitions	14,160,513	100.0%
PC 23, North Coast Interceptor (NCI)	585,347	
Total Acquisitions	\$14,745,860	

Machinery and Equipment were \$13.5 million or 92% of total acquisitions.

Additions by Asset Category				
Asset Category	SOCWA Amount	PC 23 Amount	Consolidated Amount	Mix %
Machinery and Equipment	\$13,499,989	\$6,546	\$13,506,535	91.6%
Infrastructure	358,866	603,520	962,386	6.5%
Vehicles	117,777	(24,720)	93,057	0.6%
Computer Hardware	72,396		72,396	0.5%
Building Improvements	71,693		71,693	0.5%
Computer Software	39,792		39,792	0.3%
Total Acquisitions	\$14,160,513	\$585,347	\$14,745,860	100.0%

A detailed listing of total acquisitions follows; \$12.7 million or 86% of total acquisitions are in the highlighted group:

Asset Description	PLANT	Acquisition Value	Mix %
Cogeneration System	RTP	\$2,995,663	21.2%
Switchgear MSG-1	RTP	2,156,807	15.2%
MCC SG-1	RTP	1,861,251	13.1%
Digester Gas Cleaning System	RTP	1,313,209	9.3%
MCC B	RTP	1,137,431	8.0%
Hot Water Boiler	RTP	750,405	5.3%
CEMS Unit	RTP	750,405	5.3%
Digester 2 Internal Coating	RTP	363,479	2.6%
SCR	RTP	312,669	2.2%
Filter System	CTP	306,304	2.2%
Filter Valves and Appurtenances	CTP	250,612	1.8%
MCC A	CTP	229,937	1.6%
Filter Supply Pump No. 1	CTP	189,995	1.3%
Waste Heat Exchanger	RTP	125,067	0.9%
Pump Rebuilds	CTP	76,817	0.5%
Wireless Network	CTP	72,396	0.5%
Centrifuge Rebuild	RTP	45,494	0.3%
Slurry Seal asphalt	RTP	44,260	0.3%
Interstage #2 Pump and Motor Rebuild	RTP	43,609	0.3%
Centrifuge Support Equipment	JBL	39,792	0.3%
Aeration Panels	RTP	39,145	0.3%
Check Valves	RTP	38,584	0.3%
Safety Equipment	RTP	37,795	0.3%
Centrifuge Incline Conveyor #2 Rehab	RTP	36,552	0.3%
Seepex split case pumps	JBL	35,026	0.2%
Replacement of Existing A/C System	CTP	32,321	0.2%
3LP Strainer Replacement Project	RTP	32,204	0.2%
Replacement 4X4 Vehicle	CTP	31,945	0.2%
Spare Recirc Pump	RTP	29,730	0.2%
Spare Cogen Parts	RTP	29,686	0.2%
F-250 delivery vehicle	JBL	29,355	0.2%
Chlorine Contact Mixers	CTP	28,333	0.2%
Valves	CTP	27,324	0.2%
Return Activated Sludge Pump Rebuild	JBL	26,989	0.2%
Spare Recirc Pump	RTP	26,594	0.2%
Process Water Pump	CTP	26,324	0.2%
Maintenance Utility Transport	RTP	25,321	0.2%
Backwash Pump Impellers	CTP	25,202	0.2%
Laboratory Equipment Replacement (between 3 PC's)	RTP	24,727	0.2%
Clearwell Pumps Valves	CTP	24,469	0.2%
Utility Vehicle	RTP	23,317	0.2%

(Cont'd on next page)

Asset Acquisitions Cont'd.

Asset Description	PLANT	Acquisition Value	Mix %
Administration Building Flooring	CTP	21,503	0.2%
Centrifuge Rebuild	JBL	21,375	0.2%
200 HP Motor for JBL Effluent Pump	JBL	20,626	0.1%
Laboratory Equipment Replacement (between 3 PC's)	RTP	19,056	0.1%
9-Side headworks exhaust fan	JBL	18,975	0.1%
Aeration Panel Replacement	CTP	18,194	0.1%
Bar Screen	JBL	17,150	0.1%
Spare Recirc Pump	JBL	17,103	0.1%
Digester Gas Meters	JBL	15,301	0.1%
Spare Export Sludge Mixer Gearbox	CTP	15,261	0.1%
RAS #6 Pump and Motor Rebuild	RTP	15,199	0.1%
Caustic Heat Tracing	RTP	15,199	0.1%
Portable welder	RTP	15,159	0.1%
Valves	JBL	14,627	0.1%
Effluent pump station gas line	JBL	14,612	0.1%
Spare AWT Bleach Pump	RTP	13,809	0.1%
RAS #2 Pump and Motor Rebuild	RTP	13,806	0.1%
Two ISCO Samplers for CTP	CTP	11,426	0.1%
Secondary Chain and Flights	CTP	11,237	0.1%
AWT Bleach Pump	CTP	10,878	0.1%
Tig Welder	JBL	10,655	0.1%
Replace Existing A/C Systems	RTP	10,466	0.1%
Tig Welder	CTP	9,678	0.1%
Ferric Pumps	RTP	9,582	0.1%
Gas Blower	JBL	9,558	0.1%
Fume Extractor	RTP	8,776	0.1%
Cogen Door Project	RTP	8,763	0.1%
Grit Gate Installment	CTP	8,302	0.1%
Stock pri & sec flights and chain	JBL	8,111	0.1%
Service Cart	CTP	7,839	0.1%
Replacement Waste Backwash Pump	RTP	7,460	0.1%
4 side blower room skylights	JBL	7,403	0.1%
One ISCO Sampler for JBL	JBL	7,027	0.0%
One ISCO Sampler for RTP	RTP	7,027	0.0%
4" Trash Pump	JBL	6,389	0.0%
Spare RAS Bleach Pump	JBL	6,067	0.0%
Grit Storage Room Inline Fan	RTP	5,226	0.0%
Ferric Pump	JBL	5,141	0.0%
Sub-total Acquisitions		14,160,513	100.0%
PC 23 Infrastructure and M&E		585,347	
Total Acquisitions		\$14,745,860	

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority operates as a Joint Powers Authority and is accounted for as an Enterprise Fund, using the full accrual basis of accounting. As an enterprise fund, the Authority's basic financial statements are comprised of two components:

- Financial Statements
- Notes to the Financial Statements.

The report also contains other supplementary information about the Operations and Maintenance (O&M) budgets, in addition to the basic financial statements.

In accordance with GASB Statement No. 34, the Authority's financial statements include:

- Statement of Net Position
- Statement of Revenues, Expenses and Changes in Net Position
- Statement of Cash Flows
- Notes to the Financial Statements.

The statement of revenues, expenses, and changes in net position accounts for the current year's revenues and expenses. This statement reflects the overall activity of the Authority, related to normal operations of all facilities.

NET POSITION

To begin our analysis, a summary of the Authority's Statement of Net position is presented as Chart 1, Chart 2, Chart 3, Table 1, Table 2, Table 3 and Table 4.

The Authority's recorded investment in capital assets increased \$14.7 million (as detailed in above schedules). Total capital assets by category are as follows:

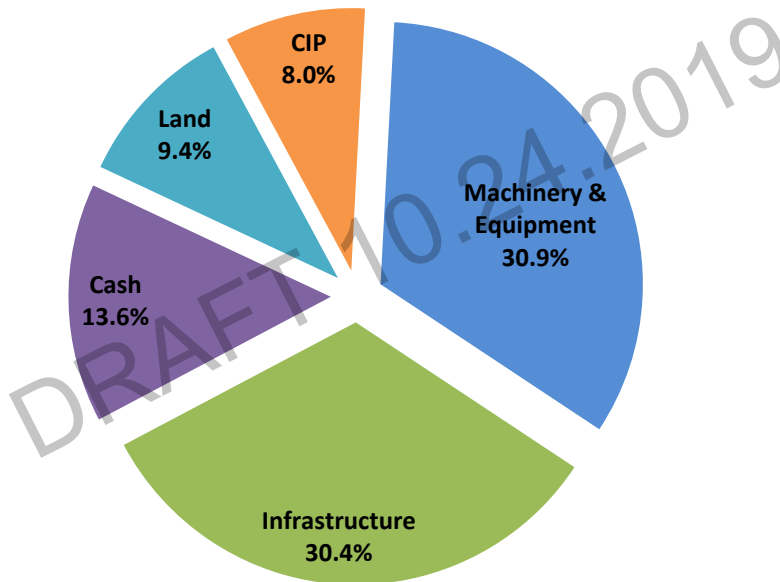
Table 1

SOCWA's Total Capital Assets FY 2018-19		
Asset Category	Book Value \$ Amount	% Total
Machinery and Equipment	\$47,456,249	36.3%
Infrastructure	46,701,904	35.7%
Land	14,402,224	11.0%
Construction-in-Progress	12,337,878	9.4%
Building Improvements	4,944,951	3.8%
Buildings	3,499,987	2.7%
Computer Hardware	634,926	0.5%
Vehicles	456,186	0.3%
Computer Software	172,108	0.1%
Furniture and Fixtures	34,176	0.0%
Total Capital Assets	\$130,640,587	100.0%

The above assets are Net Book Value (net of accumulated depreciation) for depreciable capital assets.

Chart 1

Composition of Authority's FY 2018-19 Major Assets



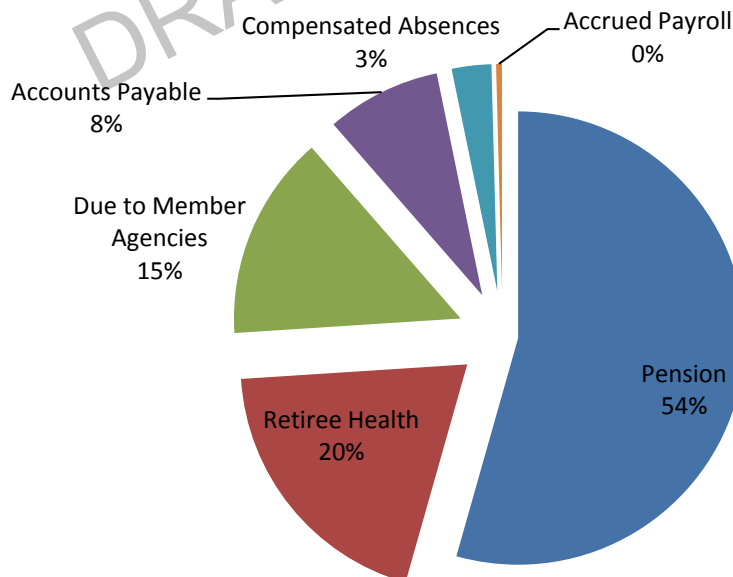
Over 90% of the Authority's Assets are:

Major Assets	% Mix
Machinery & Equipment	30.9%
Infrastructure	30.4%
Cash	13.6%
Land	9.4%
Construction-In-Progress (CIP)	8.0%
Total	92.4%

Table 2		
SOCWA's Total Liabilities FY 2018-19		
Liability Type	\$ Amount	% Total
GASB 68 Net Pension Liability	\$13,186,316	54.4%
GASB 75-Net OPEB Liability Position	4,747,961	19.6%
Due to Member Agencies	3,543,350	14.6%
Accounts Payable	1,981,080	8.2%
Compensated Absences	683,536	2.8%
Accrued Payroll Liabilities	100,221	0.4%
Total Liabilities	\$24,242,464	100.0%

Chart 2

Composition of the Authority's FY 2018-19 Liabilities



SOCWA's liabilities decreased \$1.5 million or 5.8% primarily due to:

- The Authority's proportionate share of the net pension liability decreased by \$224 thousand or 1.7% from last year. The most significant factor was actuarial experience for the year. This would have increased SOCWA's NPL for the year, but it was offset by reductions from small investment gains (earnings for the year were 1.25% higher than assumed) and changes in actuarial assumptions.

- Net OPEB liability decreased by \$611 thousand or 11.4% primarily due to favorable differences in expected vs. actual experiences; such as people retiring later than expected or terminating earlier than expected, healthcare costs/employer contributions less than expected creates an actuarial gain. There was a slight adjustment to the actuarial assumptions used, as well as assets getting a higher return than expected.
- Due to Member Agencies decreased because 2 years Use Audits were settled during the year
- Accounts Payable decrease is due to timing of receiving vendor invoices.

Liability Type	2019	2018	Change +/-	% Change
GASB 68 Net Pension Liability	\$13,186,316	\$13,410,437	(224,121)	-1.7%
GASB 75-Net OPEB Liability	4,747,961	5,358,998	(611,037)	-11.4%
Due to Member Agencies	3,543,350	3,910,599	(367,249)	-9.4%
Accounts Payable	1,981,080	2,314,106	(333,026)	-14.4%
Compensated Absences	683,536	620,032	63,504	10.2%
Accrued Payroll Liabilities	100,221	127,396	(27,175)	-21.3%
Total Liabilities	\$24,242,464	\$25,741,567	(\$1,499,104)	-5.8%

Net Pension Liability is 75% funded, an increase of 1.6% from fiscal year 2017-18.

Net Pension Liability Fiscal year ending June 30				
Description	2019	2018	Change +/-	Change %
Measurement date	6/30/2018	6/30/2017		
Total pension liability	(\$52,230,824)	(\$49,973,230)	(\$2,257,594)	4.5%
Fiduciary net position	39,044,508	36,562,793	2,481,715	6.8%
Net pension (liability)	(\$13,186,316)	(\$13,410,437)	\$224,121	-1.7%
% Funded	74.8%	73.2%	1.6%	

Net OPEB (retiree health) Liability is 52% funded, an increase of 4.6% from fiscal year 2017-18.

Net OPEB (Retiree Health) Liability Fiscal year ending June 30				
Description	2019	2018	Change +/-	Change %
Measurement date	6/30/2019	6/30/2018		
Total OPEB Liability	(\$9,885,778)	(\$10,182,408)	\$296,630	-2.9%
Fiduciary net position	5,137,817	4,823,410	314,407	6.5%
Net OPEB (liability)	(\$4,747,961)	(\$5,358,998)	\$611,037	-11.4%
% Funded	52.0%	47.4%	4.6%	

Table 3 Condensed Statement of Net Position				
	Fiscal Year Ending 6/30/2019	Fiscal Year Ending 6/30/2018	Dollar Change +/- ()	Percentage Change +/-
Current Assets	\$22,755,001	\$18,402,205	\$4,352,796	23.7%
Non-Current Assets:				
Capital Assets not being depreciated	26,740,102	35,236,026	(8,495,924)	-24.1%
Capital Assets net of accum. depreciation	103,900,485	96,017,875	7,882,610	8.2%
Total Capital Assets	130,640,587	131,253,901	(613,314)	-0.5%
Total Assets	153,395,588	149,656,106	3,739,482	2.5%
GASB 68-Deferred Outflows	3,475,719	4,069,991	(594,272)	-14.6%
GASB 75-Deferred Outflows	82,055		82,055	
Current Liabilities	6,041,550	6,746,223	(704,674)	-10.4%
Non-Current Liabilities	18,200,914	18,995,344	(794,430)	-4.2%
Total Liabilities	24,242,464	25,741,567	(1,499,104)	-5.8%
GASB 68-Deferred Inflows	1,078,306	798,038	280,268	35.1%
GASB 75-Deferred Inflows	646,185	34,043	612,142	1798.1%
Net Position:				
Net Investment in Capital Asset	130,640,587	131,253,901	(613,314)	-0.5%
Restricted for Project Committees	345,820	(4,101,452)	4,447,273	-108.4%
Total Net Position	\$130,986,408	\$127,152,449	\$3,833,959	3.0%

The Authority has total assets of \$153 million as of June 30, 2019. This represents an increase of \$3.7 million or 2.5% over FY 2017-18 total assets of \$150 million as of June 30, 2018.

The increase is primarily due to the Authority's large capital cash balance, \$15.1 million, an increase of \$6.3 million from the prior year. The funds will be used primarily for facilities improvement projects; which supports the Authority's commitment to continued investments in Capital Improvements.

Current assets increase of \$4.4 million or 24% is primarily the increased cash net of the reduction in net receivables discussed above.

Deferred Outflows and Deferred Inflows

GASB 68, net pension liability, Deferred Outflows and Inflows is a net decrease of \$875 thousand or 27% primarily due to changes in actuarial experience and assumptions discussed above in the discussion on net pension liability.

Pension Deferred Outflows/(Inflows) year ending June 30				
Description	2019	2018	Change +/-	Change %
Measurement date	6/30/2018	6/30/2017		
Deferred (inflows) of resources	(\$1,078,306)	(\$798,038)	(\$280,268)	35.1%
Deferred outflows of resources	3,475,719	4,069,991	(594,272)	-14.6%
Net balance sheet impact	\$2,397,413	\$3,271,953	(\$874,540)	-26.7%

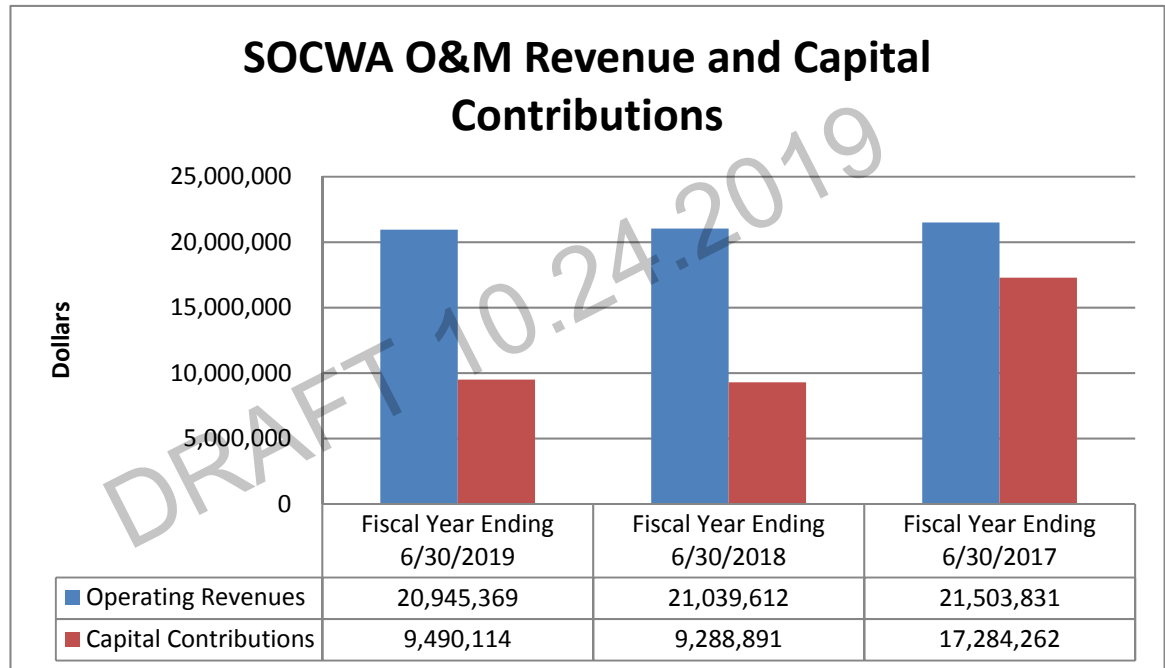
Deferred Outflows include contributions after the measurement date.

GASB 75, Net OPEB (retiree health) liability, Deferred Outflows and Inflows is a net increase of \$531 thousand due to changes in actuarial experience and assumptions discussed above in the discussion on net OPEB (retiree health) liability.

OPEB Deferred Outflows/(Inflows) year ending June 30				
Description	2019	2018	Change +/-	Change %
Measurement date	6/30/2019	6/30/2018		
Deferred (inflows) of resources	(\$646,185)	(\$34,043)	(\$612,142)	1798.1%
Deferred outflows of resources	82,055	82,055		
Net balance sheet impact	(\$564,130)	(\$34,043)	(\$530,087)	1557.1%

Statement of Revenues, Expenses and Changes in Net Position

Chart 3



O&M revenue requirements, \$20.9 million, decreased slightly, \$94 thousand, from FY 2017-18 revenue of \$21million primarily due to delays in hiring operations personnel.

Capital Contributions of \$9.5 million increased \$201 thousand or 2.2% over FY 2017-18 contributions of \$9.3 million primarily due to large capital facilities improvements projects.

Table 4				
Condensed Statement of Revenues, Expenses and Changes in Net Position				
	Fiscal Year Ending 6/30/2019	Fiscal Year Ending 6/30/2018	Dollar Change +/-	Percentage Change +/-
Operating Revenues	\$20,945,369	\$21,039,612	(\$94,243)	-0.4%
Operating Expenses	21,503,657	23,017,491	(1,513,835)	-6.6%
Depreciation Expense	6,863,249	6,595,960	267,289	4.1%
Non-Operating Expenses/(Income)	(1,765,382)	(319,910)	(1,445,472)	451.8%
Total Expenses	26,601,524	29,293,541	(2,692,017)	-9.2%
Capital Contributions	9,490,114	9,288,891	201,223	2.2%
Current Year Change in Net Position	3,833,959	1,034,962	2,798,997	270.4%
Beginning Net Position (Restated 6-30-2017)	\$127,152,449	\$126,117,487	\$1,034,962	0.8%
Add Current Year Change	3,833,959	1,034,962	2,798,997	270.4%
Net Position before extraordinary items	130,986,408	127,152,449	3,833,959	3.0%
Ending Net Position	130,986,408	127,152,449	3,833,959	3.0%

While the Statement of Net Position shows the change in Financial Position, the Statement of Revenue, Expenses and Changes in Net Position provides answers as to the nature and source of these changes.

Chart 3 above discusses the changes in revenue requirements.

FY 2018-19 Operating Results contributed \$3.8 million to Net Position due to Capital Contributions from Member Agencies; O&M Operating Revenue is equal to Operating Expenses, therefore, no contribution to Net Position.

SUPPLEMENTARY INFORMATION

Capital Assets

The Authority's investment in capital assets increased \$8.5 million, while \$14.8 million capital assets were placed in service and moved from construction in progress to fixed assets during the fiscal year ending June 30, 2019.

Long Term Debt

Long-term debt for SOCWA consists of three items:

1. Compensated absences as of June 30, 2019:
 - a. Current Portion, payable within one year, \$416,899
 - b. Long Term Portion, future benefit, greater than one year, \$266,637
 - c. Total Liability (Current and Long Term), \$683,536

SOCWA accrues the liability for unpaid leave that is payable upon an employee's termination. These amounts are adjusted each year.

2. OPEB (Other Post-Employment Benefits)/Retiree Health (GASB 75) as of June 30, 2019, the Net OPEB liability is \$4,747,961.

GASB 68 Net Pension Liability as of June 30, 2019:

- The Net Pension Liability is \$13,186,316, a decrease of \$224,121 or 1.7 %, from FY 2017-18 liability of \$13,410,437 primarily due to changes in actuarial experiences and assumptions.
- The Authority has three Benefit Levels as follows:

Benefit Levels			
Benefit Level	Enroll Effective Date	Formula	Member Rate
Tier One	1/16/1978	2.5% @55	8.00%
Tier Two	2/13/2011	2% @ 55	7.00%
Tier Three	1/1/2013	2% @ 62	6.25%

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FINANCIAL STATEMENTS

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South Orange County Wastewater Authority
Statements of Net Position
June 30, 2019 and 2018

ASSETS	2019	2018
Current assets:		
Cash and investments (Note 3)	\$ 20,857,094	\$ 13,557,237
Receivables:		
Accounts	14,179	1,660,444
Due from Member Agencies	856,677	2,433,322
Interest	113,947	52,302
Total receivable, net	984,803	4,146,068
Inventories	701,387	494,032
Deposits	-	-
Prepaid items	211,725	204,868
Total current assets	22,755,009	18,402,205
Noncurrent asset (Note 4):		
Capital assets, nondepreciable	26,740,102	35,236,026
Capital assets, depreciable, net	103,900,485	96,017,875
Total non-current assets	130,640,587	131,253,901
Total assets	153,395,596	149,656,106
DEFERRED OUTFLOWS OF RESOURCES		
Pensions related deferred outflows of resources	3,475,719	4,069,991
OPEB related deferred outflows of resources	82,055	-
Total deferred outflows of resources	3,557,774	4,069,991
LIABILITIES		
Current liabilities:		
Accounts payable	1,981,080	2,314,106
Due to Member Agencies	3,543,358	3,910,599
Accrued payroll and related liabilities	100,221	127,395
Compensated absences - due within one year (Note 5)	416,899	394,123
Total current liabilities	6,041,558	6,746,223
Noncurrent liabilities:		
Compensated absences - due in more than one year (Note 5)	266,637	225,909
Net other postemployment benefits obligation (Note 6)	4,747,961	5,358,998
Net pension liability	13,186,316	13,410,437
Total noncurrent liabilities	18,200,914	18,995,344
Total liabilities	24,242,472	25,741,567
DEFERRED INFLOWS OF RESOURCES		
Pensions related deferred inflows of resources	1,078,306	798,038
OPEB related deferred inflows of resources	646,185	34,043
Total deferred inflows of resources	1,724,491	832,081
NET POSITION		
Investment in capital assets	130,640,587	131,253,901
Unrestricted (deficit)	345,820	(4,101,452)
Total net position	\$ 130,986,407	\$ 127,152,449

South Orange County Wastewater Authority
Statements of Revenues, Expenses, and Change in Net Position
For the Years Ended June 30, 2019 and 2018

	2019	2018
OPERATING REVENUES:		
O&M Member Agency Assessments :		
City of Laguna Beach	\$ 3,079,457	\$ 3,777,716
City of San Clemente	155,352	156,322
City of San Juan Capistrano	2,262,176	2,158,791
Emerald Bay Service District	147,131	125,522
El Toro Water District	875,388	804,371
Irvine Ranch Water District	163,057	167,911
Moulton Niguel Water District	8,895,527	8,501,212
South Coast Water District	3,799,657	3,394,390
Santa Margarita Water District	1,532,718	1,897,223
Trabuco Canyon Water District	34,905	56,154
Total O&M Member Agency Assessments	20,945,368	21,039,612
Total Operating Revenues	20,945,368	21,039,612
OPERATING EXPENSES:		
O&M, Environmental, Compliance and Safety	17,558,573	18,118,149
Engineering after capital transfer	457,175	414,966
Administration	2,360,180	2,400,967
Unallocated portion of pension and OPEB expense	569,469	1,428,313
Other expense	558,258	655,096
Depreciation and amortization	6,863,250	6,595,960
Total Operating Expenses	28,366,905	29,613,451
Operating (Loss)	(7,421,537)	(8,573,839)
NON-OPERATING REVENUES (EXPENSES):		
Interest income	363,429	166,452
Other revenues	1,401,952	153,458
Total Non-Operating Revenue	1,765,381	319,910
CAPITAL CONTRIBUTIONS FROM MEMBER AGENCIES:		
Member Agency Assessments:		
City of Laguna Beach	315,736	1,221,424
City of San Clemente	(1,854)	2,556
City of San Juan Capistrano	1,196,079	973,822
Emerald Bay Service District	24,398	93,615
El Toro Water District	178,986	266,044
Irvine Ranch Water District	174,768	83,500
Moulton Niguel Water District	4,364,986	3,825,793
South Coast Water District	2,368,447	2,119,393
Santa Margarita Water District	868,568	702,744
Total Member Agency Assessments	9,490,114	9,288,891
Total Capital Contributions from Member Agencies	9,490,114	9,288,891
Change in Net Position	3,833,958	1,034,962
NET POSITION:		
Beginning of year, as restated (Note 10)	127,152,449	126,117,487
End of year	\$ 130,986,407	\$ 127,152,449

South Orange County Wastewater Authority
Statements of Cash Flows
For the Years Ended June 30, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash receipts from Member Agencies	\$ 24,168,278	\$ 19,104,447
Cash payments to vendors and suppliers for operations	(14,474,096)	(11,948,482)
Cash payments to employees for services	(7,338,239)	(7,688,988)
Net cash (used in) operating activities	2,355,943	(533,023)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Other miscellaneous revenue	1,401,952	153,461
Net cash provided by noncapital financing activities	1,401,952	153,461
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital contributions from Member Agencies	9,490,114	9,288,891
Acquisition of capital assets	(6,249,936)	(8,441,192)
Net cash provided by capital and related financing activities	3,240,178	847,699
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	301,784	139,406
Net cash provided by investing activities	301,784	139,406
Net change in cash and cash equivalents	7,299,857	607,543
CASH AND CASH EQUIVALENTS:		
Beginning of year	13,557,237	12,949,694
End of year	\$ 20,857,094	\$ 13,557,237
RECONCILIATION OF NET OPERATING (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating (Loss)	\$ (7,421,537)	\$ (8,573,839)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:		
Depreciation	6,863,250	6,595,960
Changes in operating assets and liabilities:		
Accounts receivable	1,646,265	(591,162)
Due from Member Agencies	1,576,645	(1,363,503)
Inventory	(207,355)	(83,166)
Deposits	-	19,500
Prepaid items	(6,857)	(139,786)
Pensions related deferred outflows of resources	594,272	(748,700)
OPEB related deferred outflows of resources	(82,055)	-
Accounts payable	(333,026)	(368,582)
Due to Member Agencies	(367,241)	2,551,758
Accrued payroll liabilities	(27,174)	24,734
Compensated absences	63,504	(33,250)
Net OPEB liability	(611,037)	26,535
Net pension liability	(224,121)	1,860,493
Pensions related deferred inflows of resources	280,268	255,942
OPEB related deferred inflows of resources	612,142	34,043
Net cash (used in) operating activities	\$ 2,355,943	\$ (533,023)

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South Orange County Wastewater Authority
Notes to the Financial Statements
For the Years Ended June 30, 2019 and 2018

Note 1 – Reporting Entity

Effective July 1, 2001, the Aliso Water Management Agency ("AWMA"), South East Regional Reclamation Authority ("SERRA"), and South Orange County Reclamation Authority ("SOCRA") were consolidated to form the South Orange County Wastewater Authority (the "Authority"). The Authority was formed as a joint exercise of powers agreement under the laws of the State of California. The member agencies of AWMA, SERRA and SOCRA became member agencies of the Authority. Each member agency appoints one representative to the Authority's board of directors. The Authority assumed all assets, obligations, agreements and liabilities of AWMA, SERRA, and SOCRA. The accompanying financial statements present the Authority and its component units for which the Authority is considered to be financially accountable, if any. Currently, there are no such component units.

AWMA was created under a joint exercise of powers agreement dated March 1, 1972. AWMA was formed to enable its members to jointly exercise their common powers regarding the treatment and disposal of wastewater to establish a total water management program for their consolidated service areas.

SERRA was formed by a joint exercise of powers agreement on March 9, 1970. SERRA was formed to coordinate regional planning of wastewater disposal and reclamation of wastewater in the San Juan Basin.

SOCRA was created under a joint exercise of powers agreement dated September 5, 1991. SOCRA was formed to enable its members to jointly exercise their common powers regarding the acquisition and holding of a single water reclamation primary user permit for the San Juan, Aliso Valley and other watershed areas within Region 8 and 9 of the California State Water Resources Control Board.

The Authority is comprised of the following ten member agencies:

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

The Authority is economically dependent upon assessments from the above member agencies.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

Financial statement presentation follows the recommendations promulgated by the Governmental Accounting Standards Board ("GASB") commonly referred to as accounting principles generally accepted in the United States of America ("U.S. GAAP"). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting standards.

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

The Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources represent outflows of resources (consumption of net position) that apply to future periods and that, therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources represent inflows of resources (acquisition of net position) that apply to future periods and that, therefore, are not recognized as revenue until that time.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Financial Statements (i.e., the statement of net position, the statement of revenues, expenses and changes in net position, and the statement of cash flows) report information on all of the activities of the Authority. The Authority accounts for its operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

The financial statements are prepared using the "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent), and deferred outflows and inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (revenues) and decreases (expenses) in total Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues are those revenues that are generated from the primary operations of the Authority. The Authority reports a measure of operations by presenting the change in net position from operations as "Net Surplus/(Deficit)" in the statement of revenues, expenses, and changes in net position. Operating activities are defined by the Authority as all activities other than financing and investing activities (interest expense and investment income), grants and subsidies, settlement receivable allowance, and other infrequently occurring transactions of a non-operating nature. Operating revenues consists primarily of member assessments for services. Operating expenses are those expenses that are essential to the primary operations of the Authority. Operating expenses include the cost of services, administrative expenses, and depreciation expense on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Cash, Cash Equivalents, and Investments

Cash and cash equivalents include all highly liquid investments with original maturities of 90 days or less and are carried at cost, which approximates fair value. Investments are reported at fair value. Changes in fair value that occur during the fiscal year are recognized as investment income for that fiscal year.

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

Cash, Cash Equivalents, and Investments (Continued)

The Authority participates in an investment pool managed by the State of California titled Local Agency Investment Fund (“LAIF”), which has invested a portion of the pooled funds in structured notes and asset-backed securities. LAIF’s investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these structured notes and asset-backed securities are subject to market risk and to change in interest rates. The reported value, which is the net asset value, of the pool approximates the fair value of the pool shares.

Receivables and Allowance for Doubtful Accounts

Accounts receivable consist of amounts owed by member agencies rendered in the regular course of business operations. Receivables are shown net of allowances for doubtful accounts. Uncollectable accounts are based on prior experience and management’s assessment of the collectability of existing accounts.

Inventories

Inventories consist of materials and supplies which are valued at cost on a first-in, first-out basis. Inventories are recorded as an expense when consumed for financial statement purposes but recorded as inventory when purchased for determining member agencies' allocations.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond the fiscal year ended are recorded as prepaid items.

Capital Assets

Capital assets are valued at historical cost, or estimated historical cost, if actual historical cost was not available. Donated capital assets are valued at their estimated acquisition value on the date donated. The Authority policy has set the capitalization threshold for reporting capital assets at \$5,000, all of which must have an estimated useful life in excess of three years. The original completed joint construction project costs of all original facilities constructed or acquired by AWMA and SERRA were transferred to the Authority and are reflected in the accompanying financial statements as capital assets owned by the Authority. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

Machinery and Equipment	3 to 50 years
Buildings and Building improvements	5 to 50 years
Furniture and Fixtures	5 to 10 years
Infrastructure	3 to 80 years

Capital expenditures are recorded as construction-in-process (CIP) and capitalized as a Capital Asset once all costs have been recorded and the asset has been placed in service. Repairs and maintenance costs are expensed. Interest accrued during capital assets construction, if any, is capitalized as part of the asset cost, net of interest income on construction bond proceeds.

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

Compensated Absences

Employees can accrue vacation leave up to a maximum of 240 hours. Vacation leave accrues at the rate of 80 to 160 a year depending on the number of years of employment. Sick leave accrues at the rate of 80 to 96 hours per year depending on the number of years of employment. When an employee terminates and provides a two weeks' notice, the Authority pays 75% of accumulated sick leave in excess of 176 hours. When an employee retires and provides a two weeks' notice, the Authority pays 75% of accumulated sick leave.

All accumulated vacation and vested sick leave pay are recorded as an expense and a liability at the time the benefit is earned.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans (Note 7). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. The following timeframes are used for pension reporting:

For the Year Ended	June 30, 2019
Valuation Date	June 30, 2017
Measurement Date	June 30, 2018
Measurement Period	July 1, 2017 to June 30, 2018

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized using the straight-line method over five (5) years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

Other Postemployment Benefits ("OPEB")

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Authority's Retiree Benefits Plan ("OPEB Plan") and additions to/deductions from OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan (Note 6). For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments, which are reported at amortized cost.

The following timeframes are used for OPEB reporting:

For the Year Ended	June 30, 2019
Valuation Date	January 1, 2019
Measurement Date	June 30, 2019
Measurement Period	July 1, 2018 to June 30, 2019

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

Other Postemployment Benefits (“OPEB”) (continued)

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of gain or loss. The difference between projected and actual earnings is amortized on a straight-line basis over 5 years. All other amounts are amortized on a straight-line basis over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) at the beginning of the measurement period.

Net Position

Net position represents the difference between all other elements in the statement of net position and should be displayed in the following three components:

Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation.

Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

When both restricted and unrestricted resources are available for use, it is the Authority policy to use restricted resources first, then unrestricted resources as they are needed.

Basis for Member Assessments

Member assessments are determined based on each member's participation in project committee costs. Costs are allocated to member agencies based on usage.

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the certain reported amounts and disclosure. Accordingly, actual results could differ from those estimates.

Implementation of New GASB Pronouncements

- GASB Statement No. 83, *Certain Asset Retirement Obligations (GASB 83)*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018

Note 2 – Summary of Significant Accounting Policies (Continued)

Implementation of New GASB Pronouncements (Continued)

- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements (GASB 88)*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

Note 3 – Cash and Investments

At June 30, 2019 and 2018, the Authority's cash and investments were comprised of the following:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Petty cash	\$ 1,600	\$ 1,600
Demand deposits	999,537	1,379,677
Local Agency Investments Fund	19,855,958	12,175,960
Total cash and investments	<u>\$ 20,857,095</u>	<u>\$ 13,557,237</u>

A. Demand Deposits

At June 30, 2019 and 2018, the carrying amount of demand deposit was \$999,537 and \$1,379,677, respectively. Bank balances at that date were \$1,108,685 and \$1,374,748, the total amount of which was fully insured and/or collateralized with securities held by the pledging financial institutions in the Authority's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the Authority's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the Authority's name.

The fair value of pledged securities must equal at least 110% of the Authority's cash deposits. California law also allows institutions to secure the Authority's deposits by pledging first trust deed mortgage notes having a value of 150% of the Authority's total cash deposits. The Authority may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation. The Authority, however, has not waived the collateralization requirements.

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018

Note 3 – Cash and Investments (Continued)

B. Investments

The table below identifies the investment types that are authorized for the Authority by the California Government Code and the Authority's investment policy. The table also identifies certain provisions of the California Government Code (or the Authority's investment policy, if more restrictive) that addresses interest rate risk and concentration of credit risk.

Authorized Investment Type	Maximum Maturity*	Maximum Percentage of Portfolio*	Maximum Investments In One Issuer*
U.S. Treasury Obligations	5 years	None	None
Negotiable Certificates of Deposit	5 years	30%	None
Local Agency Investment Fund ("LAIF")	N/A	None	None
JPA Pools	N/A	None	None

* Based on state law requirements or investment policy requirements, whichever is more restrictive.

C. Investment in Local Agency Investment Fund

The Authority's investments with Local Agency Investment Fund (LAIF) include a portion of the pooled funds invested in Structured Notes and Asset-Backed Securities. These investments include the following:

- **Government Securities Structured Notes** – debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.
- **Asset-Backed Securities** – the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMO's) or credit card receivables.

LAIF is overseen by the Local Agency Investment Advisory Board, which consists of five members, in accordance with State statute. The fair value of the Authority's position in the pool is the same as the value of the pool shares.

As of June 30, 2019 and 2018, the Authority had \$19,855,958 and \$12,175,960 invested in LAIF, which had invested 1.77% and 2.67% of the pool investment funds as of June 30, 2019 and 2018, in Government Securities Structured Notes and Asset-Backed Securities. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. The credit quality rating of LAIF is unrated as of June 30, 2019.

D. Fair Value Measurement

The Authority categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of June 30, 2019, and 2018, the Authority's investment portfolio consisted of \$19,855,958 and \$12,175,960 invested in the State of California Local Agency Investment Fund, which is "uncategorized" under the fair value hierarchy.

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018

Note 3 – Cash and Investments (Continued)

E. Risk Disclosures

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity its fair value will be to changes in market interest rates. In accordance with the Authority's Investment Policy, the Authority manages its exposure to interest rate risks by placing all deposits of member agency funds in passbook savings account demand deposits that are federally insured and additionally in the State of California Local Agency Investment Fund ("LAIF") for deposits up to \$40 million where investments may be made by the State Treasurer in accordance with the above guidelines. For any held funds over \$40 million, investments may be made in negotiable certificates of deposits, U.S. Treasury Notes and other JPA Investment Programs allowable under State statute.

Information about the sensitivity of the fair values of the Authority's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Authority's investments by maturity.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of June 30, 2019, and 2018, the Authority's investment portfolio consisted of \$19,855,958 and \$12,175,960 invested in the State of California Local Agency Investment Fund, which is not rated.

Disclosures Relating to Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Authority's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018

Note 4 – Capital Assets

The summary of changes in capital assets for the year ended June 30, 2019 was as follows:

	Balance July 1, 2018	Additions	Deletions	Transfer	Balance June 30, 2019
Capital assets, not depreciated					
Land	\$ 14,402,224	\$ -	\$ -		\$ 14,402,224
Construction in progress	20,833,802	6,249,936	-	(14,745,860)	12,337,878
Total capital assets, not depreciated	35,236,026			(14,745,860)	26,740,102
Capital assets, being depreciated					
Buildings	10,727,125	-	-		10,727,125
Buildings Improvements	8,371,288	-	-	71,693	8,442,981
Computer Hardware	1,416,210	-	-	72,396	1,488,606
Computer Software	259,911	-	-	39,792	299,703
Furniture and Fixtures	160,036	-	-	-	160,036
Infrastructure	159,140,282	-	-	962,387	160,102,669
Machinery and Equipment	113,737,856	-	-	13,506,535	127,244,391
Vehicles	1,158,117	-	-	93,057	1,251,174
Total capital assets, being depreciated	294,970,825	-	-	14,745,860	309,716,685
Less accumulated depreciation					
Buildings	(7,053,772)	(173,365)	-	-	(7,227,137)
Buildings Improvements	(3,191,640)	(306,391)	-	-	(3,498,031)
Computer Hardware	(685,544)	(168,136)	-	-	(853,680)
Computer Software	(105,220)	(22,375)	-	-	(127,595)
Furniture and Fixtures	(121,490)	(4,371)	-	-	(125,861)
Infrastructure	(110,392,265)	(3,008,500)	-	-	(113,400,765)
Machinery and Equipment	(76,658,194)	(3,129,949)	-	-	(79,788,143)
Vehicles	(744,825)	(50,163)	-	-	(794,988)
Total accumulated depreciation	(198,952,950)	(6,863,250)	-	-	(205,816,200)
Total capital assets, being depreciated, net	96,017,875	(6,863,250)	-	14,745,860	103,900,485
Total capital assets, net	\$ 131,253,901	\$ (6,863,250)	\$ -	\$ -	\$ 130,640,587

Depreciation expense for the year ended June 30, 2019 was \$6,595,960.

Note 5 – Compensated Absences

The summary of changes in compensated absences for the year ended June 30, 2019 was as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Classification	
					Current	Long-term
Compensated absences	\$ 620,032	\$ 414,659	\$ (351,155)	\$ 683,536	\$ 416,899	\$ 266,637

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018

Note 5 – Compensated Absences (Continued)

The summary of changes in compensated absences for the year ended June 30, 2018 was as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Classification	
					Current	Long-term
Compensated absences	\$ 653,282	\$ 2,342,647	\$ (2,375,897)	\$ 620,032	\$ 394,123	\$ 225,909

Note 6 – Other Postemployment Benefits

At June 30, 2019 and 2018, net OPEB liabilities and related deferred outflows and inflows of resources are as follows:

	June 30, 2019	June 30, 2018
Net OPEB Liabilities	<u>\$ 4,747,961</u>	<u>\$ 5,358,998</u>
Deferred Outflows of Resources:		
Change of assumptions	\$ 82,055	\$ -
Total Deferred Outflows of Resources:	<u>\$ 82,055</u>	<u>\$ -</u>
Deferred Inflows of Resources:		
Difference between projected and actual investment earnings on plan assets	\$ 29,306	\$ 34,043
Difference between expected and actuarial experience	616,879	-
Total Deferred Inflows of Resources:	<u>\$ 646,185</u>	<u>\$ 34,043</u>

Plan Description and Eligibility

The Authority provides post-retirement health care benefits to employees who retire from PERS on or after age 50 with at least 5 years of service with the Authority and PERS. The Authority's plan is a single employer plan that provides post-retirement health care benefits in accordance with the Public Employee's Medical and Hospital Care Act through the PERS health program. The Authority's contribution for each retiree is the amount necessary to pay the cost of his/her enrollment per month in the health benefits plan up to a maximum of the average of all plans available, plus administrative fees and Contingency Reserve Fund assessments. The Authority's contribution for each annuitant will be from 84% to 100% based on the health plan selected by the employee.

For the fiscal year ended June 30, 2019, the total contribution made were \$564,582, respectively, which was comprised of \$210,000 contributed to the Public Agency Retirement Services ("PARS") irrevocable trust and \$354,582 on the pay-as-you-go basis. There were 42 retired employees who received health care benefits during the fiscal year.

For the fiscal year ended June 30, 2018, the total contribution made were \$564,582, respectively, which was comprised of \$210,000 contributed to the Public Agency Retirement Services ("PARS") irrevocable trust and \$354,582 on the pay-as-you-go basis. There were 31 retired employees who received health care benefits during the fiscal year.

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018

Note 6 – Other Postemployment Benefits (Continued)

Employees Covered

At the January 1, 2019 and 2017 actuarial valuation, the following current and former employees were covered by the benefit terms under the OPEB Plan:

	<u>2019</u>	<u>2017</u>
Active employees	62	58
Inactive employees or beneficiaries currently receiving benefits	42	31
Inactive employees entitled to, but not yet receiving benefits	-	-
	<u>104</u>	<u>89</u>

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued plan financial report and may be obtained on CalPERS' website. www.calpers.ca.gov.

Net OPEB Liability

The Authority's net OPEB liability was measured as of June 30, 2019 and 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2019 and 2017, respectively.

Actuarial Assumptions

The total OPEB liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	7.00% Per annum; assumes the SOCWA invests in PARS Balanced HighMark Plus Asset Allocation.
Inflation	2.75% per annum
Salary increases	3.00% per annum, in aggregate
Expected Long-Term Investment Rate of Return	7.00% per year based on building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class.
Pre-retirement Turnover	According to termination rates under the most recent CalPERS pension plan valuation
Pre-retirement and Post-retirement Mortality; Retirement	According to pre-retirement and post-retirement mortality rates and retirement rates under the most recent CalPERS pension plan valuation.
ACA Excise Tax	Based upon loading health care trend rates by 1.21% in fiscal years 2031 and beyond for 2017, and 0.99% in fiscal years 2029 and beyond 2018.
Healthcare Tread Rate	2019 - PPO: Actual; HMO: Actual
	2020 - PPO: 6.5%; HMO: 6.0%
	2021 - PPO: 6.0%; HMO: 5.5%

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018

Note 6 – Other Postemployment Benefits (Continued)

Net OPEB Liability (Continued)

Actuarial Assumptions (Continued)

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Fixed Income	35%	1.50%
Equities	60%	5.75%
Cash	5%	0.00%
Total	100%	

The total OPEB liability in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	7.00% Per annum; assumes the SOCWA invests in PARS Balanced HighMark Plus Asset Allocation.
Inflation	2.75% per annum
Salary increases	3.00% per annum, in aggregate
Expected Long-Term Investment Rate of Return	7.00% per year based on building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class.
Pre-retirement Turnover	According to termination rates under the most recent CalPERS pension plan valuation
Pre-retirement and Post-retirement Mortality; Retirement	According to pre-retirement and post-retirement mortality rates and retirement rates under the most recent CalPERS pension plan valuation.
ACA Excise Tax	Based upon loading health care trend rates by 1.21% in fiscal years 2031 and beyond for 2017, and 0.99% in fiscal years 2029 and beyond 2018.
Healthcare Tread Rate	2017 - PPO: Actual; HMO: Actual
	2018 - PPO: 7.0%; HMO: 6.5%
	2019 - PPO: 6.5%; HMO: 6.0%

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018

Note 6 – Other Postemployment Benefits (Continued)

Net OPEB Liability (Continued)

Actuarial Assumptions (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Fixed Income	35%	1.50%
Equities	60%	5.75%
Cash	5%	0.00%
Total	100%	

Discount Rate

The discount rate used to measure the 2019 and 2018 total OPEB liability was 7.00 percent. The actuarial assumptions used to determine the discount rate was based on the current funding practice and assumed the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Change in the Net OPEB Liability

Summary of changes in total OPEB liability for the measurement date June 30, 2019 were as follows:

	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balance at June 30, 2018	\$ 10,182,408	\$ 4,823,410	\$ 5,358,998
Changes Recognized for the Measurement Period:			
Service Cost	274,847	-	274,847
Interest on the total OPEB liability	713,467	-	713,467
Changes in benefit terms	(42,119)	-	(42,119)
Difference between expected and actual experience	(822,505)	-	(822,505)
Changes in assumptions	109,406	-	109,406
Contribution from the employer	-	529,726	(529,726)
Net investment income	-	341,412	(341,412)
Administrative expenses	-	(27,005)	27,005
Benefit payments	(529,726)	(529,726)	-
Net changes during July 1, 2018 to June 30, 2019	(296,630)	314,407	(611,037)
Balance at June 30, 2019	\$ 9,885,778	\$ 5,137,817	\$ 4,747,961

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018

Note 6 – Other Postemployment Benefits (Continued)

Net OPEB Liability (Continued)

Change in the Net OPEB Liability (Continued)

Summary of changes in total OPEB liability for the measurement date June 30, 2018 were as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2017	\$ 9,602,387	\$ 4,269,924	\$ 5,332,463
Changes Recognized for the Measurement Period:			
Service Cost	256,866	-	256,866
Interest on the total OPEB liability	677,737	-	677,737
Changes in benefit terms	-	-	-
Difference between expected and actual experience	-	-	-
Changes in assumptions	-	-	-
Contribution from the employer	-	585,582	(585,582)
Net investment income	-	348,619	(348,619)
Administrative expenses	-	(26,133)	26,133
Benefit payments	(354,582)	(354,582)	-
Net changes during July 1, 2017 to June 30, 2018	580,021	553,486	26,535
Balance at June 30, 2018	\$ 10,182,408	\$ 4,823,410	\$ 5,358,998

Sensitivity of the Net OPEB Liability to Changes in Discount Rate

The following presents the net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current discount rate, for the measurement period ended June 30, 2019:

Plan's Net OPEB Liability		
Discount Rate -1% (6.00%)	Current Discount Rate (7.00%)	Discount Rate +1% (8.00%)
\$ 5,963,005	\$ 4,747,961	\$ 3,741,403

The following presents the net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current discount rate, for the measurement period ended June 30, 2018:

Plan's Net OPEB Liability		
Discount Rate -1% (6.00%)	Current Discount Rate (7.00%)	Discount Rate +1% (8.00%)
\$ 6,645,325	\$ 5,258,998	\$ 4,296,424

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018

Note 6 – Other Postemployment Benefits (Continued)

Net OPEB Liability (Continued)

Sensitivity of the Net OPEB Liability to Changes in Health Care Cost Trend Rates

The following presents the net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.0 percent for HMO plans and 5.5 percent for PPO plans) or 1-percentage-point higher (7.0 percent for HMO plans and 7.5 percent for PPO plans) than the current healthcare cost trend rates, for the measurement period ended June 30, 2019:

Plan's Net OPEB Liability		
Discount Rate -1%	Healthcare Cost	Discount Rate +1%
5.0% HMO/5.5% PPO	6.0% HMO/6.5% PPO	7.0% HMO/7.5% PPO
decreasing to	decreasing to	decreasing to
4.0% HMO/4.0% PPO	5.0% HMO/5.0% PPO	6.0% HMO/6.0% PPO
\$ 3,648,760	\$ 4,747,961	\$ 6,078,845

The following presents the net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.5 percent for HMO plans and 6.0 percent for PPO plans) or 1-percentage-point higher (7.5 percent for HMO plans and 8.0 percent for PPO plans) than the current healthcare cost trend rates, for the measurement period ended June 30, 2018:

Plan's Net OPEB Liability		
Discount Rate -1%	Healthcare Cost	Discount Rate +1%
5.5% HMO/6.0% PPO	6.5% HMO/7.0% PPO	7.5% HMO/8.0% PPO
decreasing to	decreasing to	decreasing to
4.0% HMO/4.0% PPO	5.0% HMO/5.0% PPO	6.0% HMO/6.0% PPO
\$ 4,098,627	\$ 5,358,998	\$ 6,897,590

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2019, the Authority recognized OPEB expense of \$448,776. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following source(s):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions	\$ 82,055	\$ -
Difference between projected and actual investment earnings on plan assets	-	(29,306)
Differences between projected and actual earnings on OPEB plan investments	-	(616,879)
	<u>\$ 82,055</u>	<u>\$ (646,185)</u>

The difference between projected OPEB plan investment earnings and actual earnings is amortized over a five-year period. The remaining gains and losses are amortized over the expected average remaining service life. The expected average remaining service life is 12.8 years, which was determined as of the beginning of the measurement period, for employees covered by the OPEB plan benefit terms as of the valuation date. Amount reported as deferred inflows of resources related to OPEB will be recognized as future OPEB expense as follows:

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018

Note 6 – Other Postemployment Benefits (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Year Ending June 30	Amount
2020	\$ (187,730)
2021	(187,730)
2022	(187,728)
2023	(942)
2024	-
Thereafter	-
Total	<u>\$ (564,130)</u>

For the fiscal year ended June 30, 2018, the Authority recognized OPEB expense of \$646,160. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following source(s):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual earnings on OPEB plan investments	<u>\$ -</u>	<u>\$ (34,403)</u>

The difference between projected OPEB plan investment earnings and actual earnings is amortized over a five-year period. The remaining gains and losses are amortized over the expected average remaining service life. The expected average remaining service life is 12.8 years, which was determined as of the beginning of the measurement period, for employees covered by the OPEB plan benefit terms as of the valuation date. Amount reported as deferred inflows of resources related to OPEB will be recognized as future OPEB expense as follows:

Year Ending June 30	Amount
2019	\$ (8,511)
2020	(8,511)
2021	(8,511)
2022	(8,510)
2023	-
Thereafter	-
Total	<u>\$ (34,043)</u>

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018

Note 7 – Defined Benefit Pension Plan

At June 30, 2018 and 2017 net pension liabilities and related deferred outflows/inflows of resources are as follows:

	Miscellaneous	
	June 30, 2018	June 30, 2017
Deferred outflows of resources:		
Pension contribution after measurement date	\$ 1,297,346	\$ 1,094,606
Difference between expected and actual experience	505,936	16,806
Changes of assumptions	1,503,279	2,085,275
Difference between projected and actual earning on pension plan investments	65,190	471,603
Change in Employer's proportion	103,968	401,701
Total deferred outflows of resources	\$ 3,475,719	\$ 4,069,991
Aggregate Net pension liabilities:		
Miscellaneous plan	\$ 13,186,316	\$ 13,410,437
Total net pension liabilities	\$ 13,186,316	\$ 13,410,437
Deferred inflows of Resources:		
Difference between expected and actual experience	\$ 172,167	\$ 240,782
Changes of assumptions	368,425	159,004
Change in employer's proportion	54,862	-
Difference between actual contributions and proportionate share of contributions	482,852	398,252
Total deferred inflows of Resources	\$ 1,078,306	\$ 798,038
Pension expenses:	\$ 1,947,765	\$ 2,462,341

General Information about the Pension Plan

Plan Description

The Authority contributes to the California Public Employees' Retirement System ("CalPERS"), a cost-sharing multiple-employer defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A full description of the pension plan, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2017 and 2016 Annual Actuarial Valuation Reports. These reports and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

At June 30, 2017 valuation date, the following employees were covered by the benefit terms:

	Miscellaneous Plans		
	Tier 1	Tier 2	PEPRA
Active employees	31	7	21
Transferred and terminated employees	36	1	1
Separated	20	0	3
Retired Employees and Beneficiaries	64	0	0
Total	151	8	25

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018

Note 7 – Defined Benefit Pension Plan (Continued)

Employees Covered by Benefit Terms

At June 30, 2016 valuation date, the following employees were covered by the benefit terms:

	Miscellaneous Plans		
	Tier 1	Tier 2	PEPRA
Active employees	36	7	17
Transferred and terminated employees	44	1	1
Separated	18	0	3
Retired Employees and Beneficiaries	57	0	0
Total	155	8	21

Benefit Provided

CalPERS provides service retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment.

The Plans' provisions and benefits in effect at June 30, 2019, are summarized as follows:

	Miscellaneous		
	Tier 1	Tier 2	PEPRA
Hire date	Prior to January 1, 2013	On or after January 1, 2013	On or after January 1, 2013
Benefit Formula	2.5% @ 55	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-55	50-55	52-67
Monthly benefits, as a % of eligible compensation	2.000%	2.000%	1.000 % to 2.500%
Require employee contribution rates	8.000%	7.000%	6.250%
Required employer contribution rates	10.609%	9.409%	6.842%

The Plans' provisions and benefits in effect at June 30, 2018, are summarized as follows:

	Miscellaneous		
	Tier 1	Tier 2	PEPRA
Hire date	Prior to January 1, 2013	On or after January 1, 2013	On or after January 1, 2013
Benefit Formula	2.5% @ 55	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-55	50-55	52-67
Monthly benefits, as a % of eligible compensation	2.000%	2.000%	1.000 % to 2.500%
Require employee contribution rates	8.000%	7.000%	6.250%
Required employer contribution rates	10.110%	8.921%	6.533%

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018

Note 7 – Defined Benefit Pension Plan (Continued)

Benefit Provided (Continued)

Contributions

Section 20814(c) of the California Public Employees’ Retirement Law (“PERL”) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS’ annual actuarial valuation process. The Public agency cost-sharing plans covered by the miscellaneous risk pools, the Plan’s actuarially determined rate is based on the estimated amount necessary to pay the Plan’s allocated share of the risk pool’s costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2018, the total pension liability was determined by rolling forward the June 30, 2017 total pension liability determined in the June 30, 2017 actuarial accounting valuation. The June 30, 2018 total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumption:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increase	Varies by Entry Age and Service
Mortality Rate Table ¹	Derived using CalPERS’ Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

¹The mortality table used in 2018 was developed based on CalPERS’ specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to December 2017 Experience Study Report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website at www.calpers.ca.gov under Forms and Publications.

All other actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS’ website under Forms and Publications.

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018

Note 7 – Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Actuarial Methods and Assumptions Used to Determine Total Pension Liability (Continued)

For the measurement period ended June 30, 2017, the total pension liability was determined by rolling forward the June 30, 2017 total pension liability determined in the June 30, 2016 actuarial accounting valuation. The June 30, 2017 total pension liability was based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumption:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increase	Varies by Entry Age and Service
Mortality Rate Table ¹	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter

¹The mortality table used in 2017 was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to December 2014 Experience Study Report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website at www.calpers.ca.gov under Forms and Publications.

All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website under Forms and Publications.

Change of Assumption

For the June 30, 2018 measurement date, the demographic assumptions and inflation rates were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate.

For the June 30, 2017 measurement date, the accounting discount rate was reduced from 7.65 percent to 7.15 percent.

Discount Rate

For the June 30, 2018 and 2017 measurement date, , the discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of the discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. The tests revealed the assets would not run out. Therefore, the current 7.15 percent discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees' Retirement Fund ("PERF"). The cash flows used in the testing were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS website under the GASB 68 section.

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018

Note 7 – Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Discount Rate (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected PERF pension fund cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

For the June 30, 2018 measurement date, the table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2017.

Asset Class	New Strategic Allocation	Real Return Years 1-10 ⁽¹⁾	Real Return Years 11+ ⁽²⁾
Global Equity	50.00%	4.80%	5.98%
Global Fixed Income	28.00%	1.00%	2.62%
Inflation Sensitive	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%

(1) An expected inflation of 2.0% used for this period

(2) an expected inflation of 2.92% used for this period

For the June 30, 2017 measurement date, the table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the Board effective on July 1, 2015.

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018

Note 7 – Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Discount Rate (Continued)

Asset Class	New Strategic Allocation	Real Return Years 1-10 ⁽¹⁾	Real Return Years 11+ ⁽²⁾
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	19.00%	99.00%	2.43%
Inflation Sensitive	6.00%	45.00%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%

(1) An expected inflation of 2.5% used for this period

(2) an expected inflation of 3.00% used for this period

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the net pension liability of the Plan as of the measurement date at June 30, 2018, calculated using the discount rate of 7.15%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15%) or 1 percentage-point higher (8.15%) than the current rate:

Measurement Date	Discount Rate		
	-1% (6.15%)	Current (7.15%)	+1% (8.15%)
June 30, 2017	\$ 20,251,641	\$ 13,186,316	\$ 7,354,006

The following presents the Authority's proportionate share of the net pension liability of the Plan as of the measurement date at June 30, 2017, calculated using the discount rate of 7.15%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15%) or 1 percentage-point higher (8.15%) than the current rate:

Measurement Date	Discount Rate		
	-1% (6.15%)	Current (7.15%)	+1% (8.15%)
June 30, 2017	\$ 20,284,099	\$ 13,410,437	\$ 7,717,545

Pension Plan Fiduciary Net Position

Detail information about the plan's fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS' website under Forms and Publications.

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018

Note 7 – Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Proportionate Share of Net Pension Liability and Pension Expense

The following table shows the plan's proportionate share of the risk pool collective net pension liability over the June 30, 2018 measurement period:

		Increase (Decrease)	
	Plan Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Miscellaneous			
Balance at: 6/30/17 (Valuation date)	49,973,230	36,562,793	\$ 13,410,437
Balance at: 6/30/18 (Measurement date)	49,526,368	35,926,467	13,599,901
Net Changes during 2017-2018	(446,862)	(636,326)	189,464

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool for the measurement period ended June 30, 2018, respectively.

- (1) In determining a cost-sharing plan's proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2017). The risk pool's fiduciary net position ("FNP") subtracted from its total pension liability ("TPL") determines the net pension liability ("NPL") at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2018). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2018 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2017-2018).
- (3) The individual plan's TPL, FNP and NPL are also calculated at the valuation date. TPL is allocated based on the rate plan's share of the actuarial accrued liability. FNP is allocated based on the rate plan's share of the market value assets.
- (4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.
- (5) The plan's TPL as of the measurement date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan's FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.
- (6) The plan's NPL at the measurement date is the difference between the TPL and FNP calculated in (5).

Deferred outflows of resources, deferred inflows of resources, and pension expense is allocate based on the Authority's share of contributions during measurement period.

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018

Note 7 – Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

The Authority's proportionate share of the net pension liability at the June 30, 2018 measurement date was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2017	0.13522%
Proportion - June 30, 2018	0.13684%
Change - Increase (Decrease)	<u>0.00162%</u>

For the year ended June 30, 2019, the Authority recognized pension expense in the amounts of \$1,947,765.

The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized over 5-years straight line. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period.

The Expected Average Remaining Service Lifetime ("EARS�") is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARS� for risk pool for the measurement date ended June 30, 2018 are 3.7, which was obtained by dividing the total service year of 475,689 (the sum of remaining service lifetimes of the active employees) by 127,009 (the total number of participants: active, inactive, and retired).

At June 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Miscellaneous</u>	
	<u>Deferred outflows of Resources</u>	<u>Deferred inflows of Resources</u>
Pension contribution after measurement date	\$ 1,297,346	\$ -
Difference between expected and actual experience	505,936	(172,167)
Changes of assumptions	1,503,279	(368,425)
Difference between projected and actual earning on pension plan investments	65,190	-
Change in Employer's proportion	103,968	(54,862)
Difference between actual contributions and proportionate share of contributions	-	(482,852)
Total	<u>\$ 3,475,719</u>	<u>\$ (1,078,306)</u>

Deferred outflows of resources related to pensions resulting from the Authority's contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018

Note 7 – Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

Measurement Period Ended June 30,	Deferred Outflows/ (Inflows) of Resources Miscellaneous
2020	\$ 1,138,700
2021	571,613
2022	(491,643)
2023	(118,603)
2024	-
Thereafter	-
	\$ 1,100,067

The following table shows the plan's proportionate share of the risk pool collective net pension liability over the June 30, 2017 measurement period:

		Increase (Decrease)	
	Plan Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Miscellaneous			
Balance at: 6/30/16 (Valuation date)	44,672,109	33,122,165	11,549,944
Balance at: 6/30/17 (Measurement date)	49,973,230	36,562,793	13,410,437
Net Changes during 2016-2017	5,301,121	3,440,628	1,860,493

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool for the measurement period ended June 30, 2017, respectively.

- (1) In determining a cost-sharing plan's proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation date (June 30, 2016). The risk pool's fiduciary net position ("FNP") subtracted from its total pension liability ("TPL") determines the net pension liability ("NPL") at the valuation date.
- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2017). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2018 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2016-2017).
- (3) The individual plan's TPL, FNP and NPL are also calculated at the valuation date. TPL is allocated based on the rate plan's share of the actuarial accrued liability. FNP is allocated based on the rate plan's share of the market value assets.

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018

Note 7 – Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

- (4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.
- (5) The plan's TPL as of the measurement date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan's FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.
- (6) The plan's NPL at the measurement date is the difference between the TPL and FNP calculated in (5).

Deferred outflows of resources, deferred inflows of resources, and pension expense is allocate based on the Authority's share of contributions during measurement period.

The Authority's proportionate share of the net pension liability at the June 30, 2017 measurement date was as follows:

	<u>Miscellaneous</u>
Proportion - June 30, 2016	0.13348%
Proportion - June 30, 2017	<u>0.13522%</u>
Change - Increase (Decrease)	<u><u>0.00174%</u></u>

For the year ended June 30, 2018, the Authority recognized pension expense in the amounts of \$2,294,957.

The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized over 5-years straight line. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retired) as of the beginning of the measurement period.

The Expected Average Remaining Service Lifetime ("EARS�") is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARS� for risk pool for the measurement date ended June 30, 2017 are 3.7, which was obtained by dividing the total service year of 475,689 (the sum of remaining service lifetimes of the active employees) by 127,009 (the total number of participants: active, inactive, and retired).

At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018

Note 7 – Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

	Miscellaneous	
	Deferred outflows of Resources	Deferred inflows of Resources
Pension contribution after measurement date	\$ 1,094,606	\$ -
Difference between expected and actual experience	\$ 16,806	(240,782)
Changes of assumptions	\$ 2,085,275	(159,004)
Difference between projected and actual earning on pension plan investments	\$ 471,603	-
Change in Employer's proportion	\$ 401,701	-
Difference between actual contributions and proportionate share of contributions	\$ -	(398,252)
Total	<u>\$ 4,069,991</u>	<u>\$ (798,038)</u>

Deferred outflows of resources related to pensions resulting from the Authority's contributions made subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Measurement Period Ended June 30,	Deferred Outflows/ (Inflows) of Resources Miscellaneous
2019	\$ 598,727
2020	1,183,322
2021	675,298
2022	(280,000)
2023	-
Thereafter	-
	<u>\$ 2,177,347</u>

Note 8 – Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority has joined the California Sanitation Risk Management Authority ("CSRMA"), a public entity risk pool currently operating as a common risk management and insurance program for 62-member sanitation districts. The Authority pays an annual premium to CSRMA for its general insurance coverage. The agreement for formation of the CSRMA provides that CSRMA will be self-sustaining through member premiums and will provide specific excess insurance through commercial companies. The CSRMA is allowed to make additional assessments to its members based on a retrospective premium adjustment process.

South Orange County Wastewater Authority
Notes to the Financial Statements (Continued)
For the Years Ended June 30, 2019 and 2018

Note 8 – Risk Management

At June 30, 2019, the Authority's participation in the self-insurance programs of the CSRMA was as follows:

- Workers' Compensation – the Authority is self-insured through the CSRMA up to \$750,000 with a \$0 deductible. Excess insurance up to the statutory limits per occurrence has been purchased. Excess insurance of \$1,000,000 for employer's liability has also been purchased.
- General Liability (including errors and omissions ("E&O") and employment practices liability ("EPL")) -the Authority is self-insured through the CSRMA for up to \$500,000 (\$100,000 for EPL) with a \$25,000 deductible (\$2,500 for E&O). Excess insurance of \$15,000,000 per occurrence has also been purchased.

In addition to the above, the Authority has also purchased insurance coverage for property loss including auto, employees' dishonesty bonds, pollution and remediation liability and employee health and accident. The Authority is not insured against earthquake damage.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The premiums paid fiscal year ended June 30, 2019 and 2018 were \$XXXXXX(SOCWA TO PROVIDE) and \$174,167, respectively. There were no accrued claims liabilities at June 30, 2019 and 2018.

Note 9 – Commitment and Contingencies

A. Commitments

The Authority had several outstanding or planned construction and other projects as of June 30, 2019 and 2018. These projects are evidenced by contractual commitments within engineering related services and the outstanding balance as of June 30, 2019 and 2018 was \$XXXXXX(SOCWA TO PROVIDE) and \$1,429,214, respectively.

B. Contingencies

The Authority is a defendant in a number of lawsuits, which have arisen in the normal course of business. While substantial damages are alleged in some of these actions, their outcome cannot be predicted with certainty.

Note 10 – Prior Period Adjustment

For the year ended June 30 2018, the Authority is required to implement GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The adoption of this statement requires retrospective application of previously reported net position at July 1, 2017. Accordingly, net position as of July 1, 2017 was restated as follows:

Beginning net position, as previously reported	\$ 130,862,190
Prior period adjustments:	
GASB 75, OPEB (Retiree Health) Implementation	(4,744,703)
Beginning net position, as restated	<u>\$ 126,117,487</u>

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**REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)**

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South Orange County Wastewater Authority
Required Supplementary Information (Unaudited)
Schedule of the Authority's Proportionate Share of the Net Pension Liability and Related Ratios
For the Year Ended June 30, 2019 and 2018

Last Ten Fiscal Years

California Public Employees' Retirement System ("CalPERS") Miscellaneous Plan

	June 30, 2014	June 30, 2015	June 30, 2016 ¹	June 30, 2017 ¹	June 30, 2018
Authority's proportion of the net pension liability/(asset)	0.10903%	0.13190%	0.13350%	0.13522%	0.13684%
Authority's proportionate share of the net pension liability/(asset)	\$ 6,794,277	\$ 9,054,535	\$ 11,549,944	\$ 13,410,437	\$ 13,186,316
Authority's covered payroll	\$ 5,215,673	\$ 5,452,666	\$ 5,616,113	\$ 5,784,596	\$ 6,083,399
Authority's proportionate share of the net pension liability/(asset) as a percentage of covered employee payroll	130.27%	166.06%	205.66%	231.83%	216.76%
Plan's proportionate share of the fiduciary net position as a percentage of the total pension liability	83.03%	78.43%	74.15%	73.31%	75.26%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

South Orange County Wastewater Authority
Required Supplementary Information (Unaudited)
Schedule of the Authority's Contributions
For the Year Ended June 30, 2019 and 2018

Last Ten Fiscal Years

California Public Employees' Retirement System ("CalPERS") Miscellaneous Plan

	2014-15 ¹	2015-16 ¹	2016-17 ¹	2017-18 ¹	2018-19
Actuarially determined contribution ²	\$ 780,373	\$ 495,877	\$ 521,940	\$ 1,094,606	\$ 1,297,346
Contribution in relation to the actuarially determined contribution ²	(780,373)	(1,121,220)	(1,019,645)	(1,094,606)	(1,297,346)
Contribution deficiency/(excess)	\$ -	\$ (625,343)	\$ (497,705)	\$ -	\$ -
Authority's covered payroll	\$ 5,452,666	\$ 5,616,113	\$ 5,784,596	\$ 6,083,399	\$ 6,331,043
Contributions as a percentage of covered payroll	14.31%	19.96%	17.63%	17.99%	20.49%

¹ Historical information is required only for measurement periods for which GASB 68 is applicable.

² Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their side fund or their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions. CalPERS has determined that employer obligations referred to as "side funds" are not considered separately financed specific liabilities.

Notes to Schedule

Change in Benefit Terms: The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2016 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: No changes were noted.

South Orange County Wastewater Authority
Required Supplementary Information (Unaudited)
Schedule of Changes in Net OPEB Liability and Related Ratios
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Total OPEB Liability:		
Service Cost	\$ 274,847	\$ 256,866
Interest	713,467	677,737
Changes of benefit terms	(42,119)	-
Differences between expected and actual experience	(822,505)	-
Changes of assumptions	109,406	-
Benefit payments, including refunds of member contributions	(529,726)	(354,582)
Net change in Total OPEB Liability	(296,630)	580,021
Beginning of Year	10,182,408	9,602,387
End of Year	<u>\$ 9,885,778</u>	<u>\$ 10,182,408</u>
Plan Fiduciary Net Position:		
Employer contribution	\$ 529,726	\$ 585,582
Employee contributions	-	-
Contributions - nonemployer contributing member	-	-
Net investment income	341,412	348,619
Benefit payments	(529,726)	(354,582)
Administrative expenses	(27,005)	(26,133)
Other	-	-
Net changes in Fiduciary Net Position	314,407	553,486
Beginning of Year	4,823,410	4,269,924
End of Year	<u>\$ 5,137,817</u>	<u>\$ 4,823,410</u>
Net OPEB Liability	\$ 4,747,961	\$ 5,358,998
Fiduciary Net Position as a % of Total OPEB Liability	51.97%	47.37%
Covered Payroll		\$ 6,264,606
Net OPEB Liability as a % of Payroll	#DIV/0!	85.54%

South Orange County Wastewater Authority
Required Supplementary Information (Unaudited)
Schedule of the Authority's Contributions - OPEB
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Actuarilly Determined Employer Contribution	\$ 529,726	\$ 585,582
Actual Employer Contribution	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ 529,726</u>	<u>\$ 585,582</u>
Contribution as a % of payroll	#DIV/0!	9.35%

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OTHER INFORMATION

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South Orange County Wastewater Authority
Other Information
Project Committees
For the Year Ended June 30, 2019

The following is a description of Project Committee ("PC") activity during the fiscal year ended June 30, 2018:

Project Committee No. 2 ("PC 2") and Project Committee No. 2 Rehabilitation ("PC 2R")

PC 2 was formed for the acquisition, use, operation, maintenance and expansion of the J.B. Latham Sewage Treatment Plant. Operations and maintenance expenses are allocated to participating member agencies on the basis of ownership and usage of the facilities. Standby charges are based on unused capacity. On June 30, 2018, the capacity ownership of the PC 2 members in the J.B. Latham Sewage Treatment Plant, excluding the Advanced Wastewater Treatment ("AWT") project, was as follows:

Members	Liquid Capacity		Solids Handling Capacity	
	(MGD)	Percentage	(MGD)	Percentage
CSJC	4.00	30.77%	5.55	30.00%
MNWD	3.00	23.08%	4.00	21.62%
SCWD	3.75	28.84%	3.70	20.00%
SMWD	2.25	17.31%	5.25	28.38%
Total	13.00	100.00%	18.50	100.00%

MGD = Million gallons per day average dry weather flow rate

On June 29, 2000, the members entered into Amendment 2 to the PC 2 agreement to provide for the design and construction of the AWT project at the J.B. Latham Sewage Treatment Plant. The PC 2 members who funded, and therefore have capacity interest in the AWT project, are CSJC, MNWD, and SCWD.

Project Committee No. 2(SO) ("PC 2(SO)")

PC 2(SO) was formed in order to obtain a permit to discharge reclaimed water. The Authority is to hold a single producer/primary user permit and maintain waste discharge permit requirements for the production, distribution and use of reclaimed water. A portion of the costs are split equally among each member agency part of the costs are allocated to member agencies based on non-potable water production in Region 9, and permit costs are allocated based on region. CSJC, ETWD, IRWD, MNWD, SCWD, SMWD, and TCWD are members of PC 2(SO).

Project Committee No. 5 ("PC 5")

PC 5 was formed for the purpose of planning, designing, constructing, operating and maintaining the San Juan Creek Ocean Outfall. On June 30, 2017, the capacity ownership of the PC 5 members in the San Juan Creek Ocean Outfall was as follows:

Members	MGD	Percentage
CSC	13.30	16.62%
CSJC	8.86	11.08%
MNWD	12.41	15.51%
SCWD	9.97	12.47%
SMWD	35.46	44.32%
Total	80.00	100.00%

MGD = Million gallons per day average dry weather flow rate

South Orange County Wastewater Authority
Other Information
Project Committees (Continued)
For the Year Ended June 30, 2019

Project Committee No. 15 ("PC 15") and Project Committee No. 15 Rehabilitation ("PC 15R")

PC 15 caused construction of facilities known as the Coastal Wastewater Treatment Facility to receive and treat wastewater. Operations and maintenance expenses are allocated to participating member agencies on the basis of ownership and usage of the facilities. PC 15R is used to account for rehabilitation and construction projects for the Coastal Treatment Plant. On June 30, 2018, the capacity ownership of the PC 15 members in the Coastal Treatment Plant was as follows:

Members	MGD	Percentage
CLB	2.54	37.91%
EBSD	0.20	2.99%
SCWD	2.00	29.85%
MNWD	1.96	29.25%
Total	6.70	100.00%

MGD = Million gallons per day average dry weather flow rate

Project Committee No. 17 ("PC 17") and Project Committee No. 17 Rehabilitation ("PC 17(R)")

PC 17 is for the operations and maintenance of the facilities known as the Regional Wastewater Treatment, Reclamation and Solids Handling Facilities ("Joint Regional Treatment Plant"). The Joint Regional Treatment Plant treats and reclaims wastewater and handles solid waste. Operations and maintenance expenses are allocated to participating member agencies on the basis of ownership and of usage of the facilities. PC 17(R) is used to account for rehabilitation and construction projects for the Joint Regional Treatment Plant. On June 30, 2018, the capacity ownership of the PC 17 members in the Joint Regional Treatment Plant was as follows:

Members	Liquid Capacity		Solids Handling Capacity	
	(MGD)	Percentage	Pounds	Percentage
CLB	-	0.00%	5,605	11.22%
EBSD	-	0.00%	295	0.59%
ETWD	-	0.00%	10,200	20.41%
MNWD	12.00	100.00%	29,395	58.82%
SCWD	-	0.00%	4,480	8.96%
Total	12.00	100.00%	49,975	100.00%

MGD = Million gallons per day average dry weather flow rate

Pounds = Loadings are shown in pounds per day

South Orange County Wastewater Authority
Other Information
Project Committees (Continued)
For the Year Ended June 30, 2019

Project Committee No. 21 ("PC 21")

PC 21 is for the operation and maintenance of the Effluent Transmission Main. Expenses are allocated to participating members on the basis of ownership of the facilities as follows:

Members	Reach B/C	Reach D	Reach E
ETWD	50.00%	50.00%	23.29%
IRWD	50.00%	50.00%	23.29%
MNWD	0.00%	0.00%	53.42%
Total	100.00%	100.00%	100.00%

On October 7, 1999, the title to Reach A of the Effluent Transmission Main was transferred to Los Aliso Water District (now part of IRWD) and the El Toro Pump Station was transferred to ETWD. The Alicia Parkway Pump Station is owned and operated by MNWD.

Project Committee No. 23 ("PC 23")

PC 23 is for the operations and maintenance of the North Coast Interceptor and the Laguna Beach and Bluebird pump stations. Operations and maintenance expenses are allocated to participating member agencies on the basis of ownership and usage of the facilities. The City of Laguna Beach operates and maintains the facility. Ownership of the facilities at June 30, 2017 was as follows:

Members	Percentage
CLB	95.88%
EBS	4.12%
Total	100.00%

Project Committee No. 24 ("PC 24")

PC 24 is for the operations and maintenance of the facilities known as the Aliso Creek Land and Ocean Outfall which disposes of treated wastewater. Operations and maintenance expenses are allocated to participating member agencies on the basis of ownership and usage of the facilities. On June 30, 2018, the capacity ownership in the Aliso Creek Ocean Outfall was as follows:

Members	MGD	Percentage
CLB	5.50	11.00%
EBS	0.39	0.78%
ETWD	8.15	16.30%
IRWD	7.88	15.76%
MNWD	21.92	43.85%
SMWD	6.16	12.31%
Total	50.00	100.00%

MGD = Million gallons per day average dry weather flow rate

Pre-Treatment Program

The Pre-Treatment Program was established in compliance with the Environmental Protection Agency ("EPA") to monitor the contents of industrial waste flowing from industries within the areas served by several of the member agencies.

Agenda Item

12

Legal Counsel Review: N/A

Meeting Date: November 12, 2019

TO: Finance Committee

FROM: Betty Burnett, General Manager

STAFF CONTACT: Mary Carey, Finance Controller

SUBJECT: Fiscal Year 2018-19 Supplemental Financial Statements

Summary/Discussion

South Orange County Wastewater Authority (SOCWA) Board Approved Audited Financial Statements are at the Consolidated/Authority Level; the attached Balance Sheet/Statement of Net Position and the Income Statement/Statement of Revenues, Expenses, and Changes in Net Position distributes the Audited Financial Statements by Project Committee and Member Agency as directed by SOCWA's Board of Directors.

The reports included are as follows:

- a) Management Discussion and Analysis of Supplemental Financial Statements
- b) Balance Sheet/Statement of Net Position for the Fiscal Year 2018-19
- c) Income Statement/Statement of Revenues, Expenses and Changes in Net Position

Recommended Action:

Staff recommends to the Finance Committee to review the Supplemental Financial Statements and Management Discussion and Analysis and recommend to the Board of Directors to receive and file.



South Orange County Wastewater Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS

Supplemental Financial Statements by Project Committee and Member Agency
For Fiscal Year Ended June 30, 2019

South Orange County Wastewater Authority (SOCWA) Board Approved Audited Financial Statements are at the Consolidated/Authority Level; the attached Balance Sheet/Statement of Net Position and the Income Statement/Statement of Revenues, Expenses, and Changes in Net Position distributes the Audited Financial Statements by Project Committee and Member Agency as directed by SOCWA's Board of Directors.

Key/Significant Board Approved Methodologies and other guidelines used to prepare the Statements are as set forth below:

I. Balance Sheet/Statement of Net Position:

Cash and Investments by Member Agency include the following items:

Cash and Investments by Member Agency (In Dollars)									
Member Agency	Large Capital Cash Roll Fwd.	(1) Small Capital	(2) Non- Capital	O&M Use Audit	(3) South Coast Payable	(4) Zephyr Wall	Compensated Absences	Other Cash	Total
City of Laguna Beach	1,293,063	47,320	(111,304)	212,537			79,413	40,364	1,561,394
City of San Clemente	61,969	-	14,500	18,467			4,398	1,712	101,046
City of San Juan Capistrano	1,963,830	77,425	27,873	(119,479)		23,189	72,736	36,081	2,081,655
Emerald Bay Service District	96,027	3,643	(8,580)	7,043			3,073	3,072	104,278
El Toro Water District	570,411	4,667	(38,578)	51,232			22,684	10,677	621,094
Irvine Ranch Water District	170,668	-	(25,759)	66,168			5,169	3,208	219,455
Moulton Niguel Water District	6,479,861	69,667	(81,676)	463,802		17,057	295,672	121,102	7,365,485
South Coast Water District	2,770,345	143,965	764	93,013	1,068,028	18,637	135,305	63,835	4,293,893
Santa Margarita Water District	1,661,364	57,767	58,759	749,759		17,435	64,656	34,575	2,644,315
Trabuco Canyon Water District				8,654			429		9,083
Total	15,067,539	404,454	(164,001)	1,551,196	1,068,028	76,318	683,536	314,628	19,001,696
Cash for Accounts Payable, Payroll Accrual & Prepaid Expense									1,855,398
Total Cash									20,857,094
(1) Small Capital includes Use Audit, \$231,458, and the carry-over to next year for projects in-progress at year end, \$172,996.									
(2) Non-Capital is two years of expenditures greater than amount invoiced; this amount is included in the Use Audit.									

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South Orange County Wastewater Authority

- | |
|---|
| (3) Refunds due South Coast for Closed Capital Projects and Use Audits held to offset Q1 Billings.
(4) Cash received from Zephyr; costs sharing for wall between JB Latham Plant and Condos. |
|---|

Receivables:

All Member Agencies invoices were paid; the \$14 thousand in accounts is a vendor refund due and payments due from some agencies for Directors attendance at Board meetings.

Due from Member Agencies:

Fiscal year 2018-19 unsettled Use Audit, expenditures greater than amounts invoiced to the Member Agencies. Project Committee and Member Agency distribution are from the Use Audits.

LAIF Interest Receivable:

Distributed by Project Committee and Member Agency based on FY 2018-19 Large Capital Cash Balance per agreement with the Finance Officers.

Capital Assets:

Capital Assets are owned by SOCWA; therefore, they are only tracked by Project Committee.

GASB 68 Pension and GASB 75 OPEB (retiree health) related deferred outflows of resources:

Distributed by Project Committee and Member Agency using Board Approved Methodology and Allocation percentages jointly recommended by SOCWA and Actuaries.

Due to Member Agencies:

Fiscal year 2018-19 unsettled Use Audits, expenditures less than amounts invoiced to the Member Agencies. Project Committee and Member Agency distribution are from the Use Audits.

Compensated Absences-Current and Long Term:

Distributed by Project Committee and Member Agency using Board Approved Methodology and Allocation percentages jointly recommended by SOCWA and Actuaries.

GASB 75 Net OPEB (retiree health) Liability:

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Distributed by Project Committee and Member Agency using Board Approved Methodology and Allocation percentages jointly recommended by SOCWA and Actuaries.

GASB 68 Net Pension Liability:

Distributed by Project Committee and Member Agency using Board Approved Methodology and Allocation percentages jointly recommended by SOCWA and Actuaries.

GASB 68 Pension and GASB 75 OPEB (retiree health) related deferred inflow of resources:

Distributed by Project Committee and Member Agency using Board Approved Methodology and Allocation percentages jointly recommended by SOCWA and Actuaries.

II. Income Statement/Statement of Revenues, Expenses and Changes in Net Position:

Operating Revenues are from FY 2018-19 Use Audit, equal to actual FY 2018-19 total O&M expenses.

Actual Spending and Actual Usage (in \$'s)						
O&M			Small Capital	Large Capital	Non-Capital	Total
FY 18-19 Budget	FY 18-19 Actual	(Over)/Under Budget	(Over)/Under Budget	(Over)/Under Budget	(Over)/Under Budget	USE Audit Results
SOCWA by Member Agency						
City of Laguna Beach	2,410,416	2,197,880	212,536	36,209	(111,304)	137,441
City of San Clemente	173,864	155,352	18,512		14,500	33,012
City of San Juan Capistrano	2,142,692	2,262,176	(119,484)	33,636	27,873	(57,975)
El Toro Water District	926,656	875,388	51,268	4,667	(38,578)	17,357
Emerald Bay Service District	154,272	147,131	7,141	2,769	(8,580)	1,329
Irvine Ranch Water District	229,296	163,057	66,239		(25,759)	40,480
Moulton Niguel Water District	9,359,056	8,895,527	463,529	28,735	(81,676)	410,588
Santa Margarita Water District	2,282,508	1,532,718	749,790	26,808	58,759	835,356
South Coast Water District	3,892,644	3,799,657	92,987	98,635	764	192,386
Trabuco Canyon Water District	43,584	34,905	8,679			8,679
Total Member Agency	21,614,988	20,063,792	1,551,196	231,458	(164,001)	1,618,653

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South Orange County Wastewater Authority

**South Orange County Wastewater Authority
Statement of Revenues, Expenses and Changes in Net Position
For the year ended June 30, 2019**

	SOCWA Actual 6/30/2019	PC23 Actual 6/30/2019	Consolidated Actual 6/30/2019
OPERATING REVENUES			
O & M Member Agency Assessments			
City of Laguna Beach	\$2,197,879	\$881,577	\$3,079,456
City of San Clemente	155,397		155,397
City of San Juan Capistrano	2,262,171		2,262,171
Emerald Bay Service District	147,229		147,229
El Toro Water District	875,424		875,424
Irvine Ranch Water District	163,128		163,128
Moulton Niguel Water District	8,895,254		8,895,254
South Coast Water District	3,799,631		3,799,631
Santa Margarita Water District	1,532,749		1,532,749
Trabuco Canyon Water District	34,930		34,930
Total O & M Member Agency Assessments	\$20,063,792	\$881,577	\$20,945,369

Operating Expenses:

O&M Direct expenses are from FY 2018-19 Use Audit, O&M and Environmental Compliance, Safety actual expenses distributed by Project Committee and Member Agency.

Admin, General Fund and Engineering are from FY 2018-19 Use Audit distribution by Project Committee and Member Agency.

Unallocated portion of pension and OPEB expense (amounts not included in O&M expenses):

Distributed by Project Committee and Member Agency using Board Approved Methodology and Allocation percentages jointly recommended by SOCWA and Actuaries.

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South Orange County Wastewater Authority

Other Expenses:

Non-Capital Engineering is from the Cash Roll Forward by Project Committee and Member Agency. These are engineering assessments, studies, reports, etc. that will not become a Capital Project.

Inventory Change (Infrastructure Spare parts) are spare parts on-hand due to the 24/7 operating hours for the plants. The initial costs are included in the Use Audit expenses; the movement to inventory in the financial statements is to comply with accounting standards.

Additional Cash Payment to Member Agencies were the payments to Member Agencies for Cash from Other Sources as of June 30, 2018.

(In Dollars)											
Project Committee	Member Agency										
	Laguna Beach	San Clemente	San Juan Capistrano	El Toro	Emerald Bay	Irvine Ranch	Moulton Niguel	Santa Margarita	South Coast	Trabuco Canyon	Total
PC 2 - Jay B. Latham Plant	-	-	60,552	-	-	-	39,200	44,952	47,605	-	192,309
PC 3	-	-	-	-	-	-	30,799	6,994	-	-	37,793
PC 5 - San Juan Creek Ocean Outfall	-	2,801	2,218	-	-	-	2,347	6,175	2,019	-	15,560
PC 8 - Pretreatment Program	540	709	729	437	38	751	1,572	1,471	1,180	-	7,427
PC 12 SO- Water Reclamation Permits	-	-	21	19	-	27	90	67	27	27	279
PC 15 - Coastal Treatment Plant/AWT	74,607	-	-	-	4,288	-	8,080	-	69,299	-	156,274
PC 17 - Joint Regional Wastewater Reclamation	18,793	-	-	25,003	740	-	171,980	-	13,323	-	229,838
PC 21 Effluent Transmission Main	-	-	-	2,029	-	2,029	-	-	-	-	4,058
PC 23 North Coast Interceptor	-	-	-	-	-	-	-	-	-	-	-
PC 24 - Aliso Creek Ocean Outfall	887	-	-	1,623	37	1,372	1,980	-	398	-	6,298
Total	94,827	3,510	63,519	29,111	5,102	4,179	256,050	59,659	133,852	27	649,836

Depreciation and Amortization is tracked by Project Committee only because the Capital Assets are owned by SOCWA.

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IRVINE RANCH WATER DISTRICT • MOULTON NIGUEL WATER DISTRICT • SANTA MARGARITA WATER DISTRICT • SOUTH COAST WATER DISTRICT • TRABUCO CANYON WATER DISTRICT



South Orange County Wastewater Authority

Capital Contributions:

Large Capital, Small Capital and Non-Capital Engineering quarterly invoices to Member Agencies by Project Committee and Member Agencies Net of Use Audit Adjustment for Closed Capital Projects.

CAPITAL CONTRIBUTIONS AND TRANSFERS	
City of Laguna Beach	\$315,736
City of San Clemente	(1,854)
City of San Juan Capistrano	1,196,079
Emerald Bay Service District	24,398
El Toro Water District	178,986
Irvine Ranch Water District	174,768
Moulton Niguel Water District	4,364,986
South Coast Water District	2,368,447
Santa Margarita Water District	868,568
Total Member Agency Assessments	\$9,490,114

Non-Operating Revenues (Expenses):

Grant Revenue:

Grant Revenue, So Cal Edison, Co-Gen Projects (in \$'s)			
Member Agency	JB Latham	Regional	Total
City of Laguna Beach		98,718	98,718
City of San Juan Capistrano	151,276		151,276
Emerald Bay Service District		5,191	5,191
El Toro Water District		179,575	179,575
Moulton Niguel Water District	109,028	517,522	626,550
South Coast Water District	100,851	78,834	179,685
Santa Margarita Water District	143,099		143,099
Total Grant Revenue	504,254	879,840	1,384,094

The Cash received for the Grant Revenue was included in Large Capital Cash Roll Forward by project committee, capital project and member agency for Co-Gen Projects.

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South Orange County Wastewater Authority

Interest Income:

Distributed by Project Committee and Member Agency based on FY 2018-19 Large Capital Cash Balance per agreement with the Finance Officers.

Gain on Sales of Fixed Assets was distributed by member agency based on capital ownership percentages.

Recycling Income was distributed by member agency based on capital ownership percentages.

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DISTRICT

Agenda Item

13

Legal Counsel Review: N/A

Meeting Date: November 12, 2019

TO: SOCWA Finance Committee

FROM: Betty Burnett, General Manager

STAFF CONTACT: Jeanette Cotinola, Procurement and Contracts Administration

SUBJECT: Uniform Purchasing Policy and Procedures Update

Summary

The SOCWA Uniform Purchasing Policy and Procedures should be reviewed periodically and updated as required to meet current conditions. The Uniform Purchasing Policy and Procedures were last updated in March of 2015. Due to changes in the organization as to positions, staff responsibilities and current procurement needs, staff recommends an update at this time as shown in the attached document.

Discussion

The South Orange County Wastewater Authority (SOCWA) Uniform Purchasing Policy and Procedures document contains the terms, conditions, and rules for purchasing goods and services.

The key change to the document is to Exhibits 1 and 5, which align the policy and spending authority to current SOCWA positions and assigned spending limitations to personnel within Operations and other departments. The changes proposed revise the spending limit for the O&M Superintendent by distributing spending authority to Plant Chiefs and department managers (the O&M Superintendent is retiring in December 2019 and that position will not be replaced). Exhibit 2 revisions assist in clarifying the inconsistency between non-discretionary spending authority and spending limits to indicate that authorized and budgeted non-discretionary costs over \$50,000, which are within the General Manager's approval authority, are also reported to the Board. The staff routinely documents these items within the General Manager's monthly report to the Board.


Other minor corrections are recommended to correct grammatical errors.

Fiscal impact

None

Recommended Action:

Staff recommends that the Finance Committee recommend to the Board of Directors approval of the updated Uniform Purchasing Policy and Procedures.

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Revised: December 12, 2019 March 5, 2015	Title: Uniform Purchasing Policy and Procedures

Uniform Purchasing Policy and Procedures

I. PURPOSE OF POLICY

The purpose of this policy is to establish uniform procedures for acquiring services, supplies and materials, equipment, and capital improvements for SOCWA (South Orange County Wastewater Authority), in accordance with Government Code Section 54201 et seq., to assure purchases are accomplished in a manner providing maximum benefits, with cost efficiency for the Member Agencies and customers of SOCWA.

California Government Code Section 54202 requires that every local agency shall adopt policies and procedures, including bidding regulations governing purchases of supplies, materials and equipment, and that said purchases shall be in accordance with said duly adopted policies.

California Government Code Section 54204 requires that if the local agency is other than a city or county, policies provided for in Section 54202 of said Code shall be adopted by means of a written rule or regulation, copies of which shall be available for public distribution.

II. GENERAL POLICY

This policy addresses the authorizations of discretionary expenditures, competitive requests for and award of service contracts, procurement of professional services, and approvals and authorizations of change orders to existing contracts. It further establishes the internal controls regarding the receipt(s) for equipment, materials, and services. It also addresses quality based competitive procurements for capital projects construction. The following exhibits are incorporated herein and by reference made part hereof:

Exhibit 1 - Authority and Authorization Dollar Limits for Discretionary Expenses

Appendix 1 - GM Recommended ~~FY 2014-2015~~ Approval Authority, effective July 1, 2019

Exhibit 2 - Non-Discretionary Expenses

Exhibit 3 - Credit Purchasing Program and Procedures


Exhibit 4 - Credit Request/ Expense Form

Exhibit 5 - Approval Listing

All purchases of services or materials paid for by SOCWA must adhere to the methods, authority level, and dollar limits of this policy as outlined in Exhibit 1.

The Budget of the Authority and each of its Project Committees (collectively, Budgets) is established as set forth in the SOCWA Joint Powers Agreement (JPA) and the various Project Committee Agreements such that the Budget(s) receives ratification by the member agencies on an annual basis, and the SOCWA member agencies have equal vote in approval of the Budget(s).

The Budget(s) comprise the spending authorization for the coming Fiscal Year and identify both discretionary and non-discretionary funds to be expended. The Authority staff report to the Board of Directors on a quarterly basis, or as soon thereafter as practicable, the Year to Date performance against the line items budgeted, any amounts under or over budget per category, and any allocation adjustment recommendations. Authority Staff are authorized to spend within the Budget(s) as the same may be adjusted from time to time by action of the Board of Directors,

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and the discretionary expenditures identified in the Budget(s) will be made in compliance with this Policy unless otherwise noted for exception in the Budget(s). As noted in Section IV below, the Fiscal Year Budget(s) approved by the Board of Directors approves Non-Discretionary Expenses as generally described in Exhibit 2, and the same ~~are~~ is spent routinely, reported in the quarterly Budget Review, and are not within this policy.

III. DEFINITIONS

AGREEMENT or CONTRACT – Shall mean a written agreement for the procurement of goods and services (professional and non-professional) and includes both formal contracts and purchase orders. The Term also may refer to documents issued for construction projects. The term is interchangeable with the term “contract.”

ASSET – Items of a fixed, durable, or permanent nature used in the operations of SOCWA.

AUTHORITY – South Orange County Wastewater Authority (SOCWA).

BOARD – Shall mean the Board of Directors of South Orange County Wastewater Authority (SOCWA).

BUDGET – Shall mean the annual fiscal year operating budgets and the capital budgets adopted by SOCWA and the Project Committees, and ratified by the Member Agencies in accordance with the JPA.

CAPITAL EXPENDITURES – Shall mean spending for capital improvements, ~~include~~ including the construction of new, replacement and upgrades as outlined in the Ten-Year Capital Improvement Program or as otherwise funded in the Budget. Projects funded through Capital Expenditures may include Grant or State Revolving Fund Loan projects, Small Capital (operating) projects, and Capital Repair and/or Replacement projects where the useful life of the asset is substantially extended.

CHANGE ORDER – Shall mean a written amendment modifying the terms of an existing contract.

CHECK REQUEST – A requisition form for a check and on approval results in a Payment Voucher authorizing payment.


CONSTRUCTION PROJECTS – A project involving Capital Expenditures of SOCWA funds for the erection, construction, alteration, repair, or improvement of any Authority owned or operated structure, building, or site improvement.

FISCAL YEAR – The period from July 1 to June 30, also referred to as “FY.”

FUND – A subdivision of the fiscal activities, assets, liabilities, revenues, and expenditures of SOCWA, related to the conduct of a specific function or activity, or the attainment of a specific objective. It is a separate fiscal and accounting entity with a self-balancing set of accounts, for example, Project Committee funds or budgets.

FUND NUMBER – A defined set of digits or letters assigned to a fund.

GENERAL LEDGER ACCOUNT NUMBER – A code which identifies the accounting classification that best represents the category for the purchase to be charged.

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GENERAL MANAGER – General Manager of SOCWA or the person appointed by the General Manager or Board of Directors to act in the capacity of the General Manager and authorized to administer this Policy on his/her behalf.

NON-PROFESSIONAL SERVICES – Services other than Professional Services, to include equipment and maintenance services.


NON-DISCRETIONARY EXPENSES – Items that are approved for expenditure within an FY Budget and do not require further action of the Board for payment (see Exhibit 2 examples), which items may be less than or greater than the General Manager Authorization limit of \$50,000. Non-discretionary expenses relate to expenses essential to SOCWA's ability to provide service to Member Agencies and other customers (includes water purchases and power costs) and payroll related costs (tax obligations, PERS, employee benefits, and voluntary deductions). Non-Discretionary Expenses include but are not limited to the examples shown in Exhibit 2.

OPERATIONAL EXPENDITURES – Expenditures included in the Operations Budget approved by the Board, other than Capital Expenditures.

PROFESSIONAL SERVICES – Services involving the provision of a report, study, plan, design, specification, document, program, advice, recommendation, analysis, review, opinion, inspection, investigation, audit, brokering or representation of SOCWA before or in dealings with another party, or any other services which require a special skill or expertise of a professional, scientific or technical nature, where the professional is expected to work to a professional standard of care.

PURCHASE ORDER – An authorization, using a standardized form, in which the party designated therein as the "provider" provides equipment, materials, supplies and/or services for which SOCWA agrees to pay. There are four types of Purchase Order~~s~~ (PO) available: Purchase Order - Regular, Open Purchase Order, Blanket Purchase Order, Contract Purchase Order, and a Payment Voucher. Descriptions for each type of purchase order and the payment voucher are as follows:

- **Purchase Order – Regular** – used for goods and/or services that are required on an as needed basis or for the replenishment of the Authority's revolving inventory, and does not fall under the criteria for an Open or Blanket purchase order. A regular purchase order requires specific quantities and dollar amounts, with designated funding allocations for all items on the purchase order. The vendor performance period under a Purchase Order shall not exceed five (5) years.
- **Open Purchase Order** – used for repetitive, routine commitments for goods and/or services with frequently used vendors and billed to the Authority on a regular monthly or quarterly basis. An Open Purchase Order establishes monthly dollar limits on goods and/or services using preset funds, accounts, and project numbers for the entire amount of the purchase order. An Open Purchase Order specifies purchases and access limits. The vendor performance period under an Open Purchase Order shall not exceed two (2) years.
- **Blanket Purchase Order** – used for an account established with frequently used vendors for making purchases over time to reduce costs within the fiscal year. A Blanket Purchase Order specifies a quantity limit without preset funding allocations and defines the delivery schedule. Items on a Blanket Purchase Order can be coded to multiple funds, accounts, and project numbers; receipts are coded at the time of delivery of goods and/or services. The vendor performance period under a Blanket

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Purchase Order shall not exceed two (2) years and shall be limited by a total not to exceed dollar amount over said period.

- **Contract Purchase Order** – used as a legally enforceable agreement between the Authority and one or more parties defining the specific terms and conditions of the work to be performed and/or the materials to be delivered. A copy of the contract must be forwarded to the Purchasing Officer. The General Manager in cooperation with the Authority Counsel shall establish contracting guidelines and/or terms and conditions applicable to Contract Purchase Orders, and the same shall be adjusted from time to time to fit the type of purchase being made. Capital expenditures shall similarly be incurred after issuance of a contract.
- **Payment Voucher (PV)** – used for payments of small goods and service purchases that are generally under \$1000. Examples of such payments and costs include employee reimbursements, certifications, subscriptions, membership renewals, miscellaneous employee costs, health insurance reimbursements, minor retention releases, and minor permit fees, among others. Non- Discretionary expenses as shown on Exhibit 2 may use a Payment Voucher for payment tracking in the accounting system although these items may exceed the \$1000 limit.

PURCHASE ORDER TERMS AND CONDITIONS (PO TERMS) – The Purchase Order – Regular, Open Purchase Order, Blanket Purchase Order and Contract Purchase Order will generally be issued with Purchase Order Terms and Conditions addressing terms applicable to the acquisition of equipment, services or supplies to be purchased and set forth the terms applicable such as performance criteria and standards, insurance and indemnification requirements, warranty and notice provisions. PO Terms may set forth that the Authority shall have the right to terminate or cancel the PO for non-performance, or without cause on payment of accrued amounts for supplies or services.

PURCHASING OFFICER(s) – The employee(s), of the Authority, assigned the duties of identifying and/or verifying vendors, obtaining competitive bids processing requisitions into purchase orders, expediting delivery for operations, also works with inventory control and receiving to ensure receiving transactions and supporting documents are delivered to accounting for the recording of transactions, may support construction project procurements. The Purchasing Officer(s) control the issuance of purchase orders and checks for proper authorization.


REQUEST FOR PROPOSAL (RFP) – A written or electronic request for the submission of a proposal in accordance with specifications, conditions, and other requirements included in the request.

REQUEST FOR QUALIFICATION (RFQ) – A written or electronic request for the submission of qualifying information as related to future Authority work which may result in the selection of one or more qualified entities selected to then submit more specific proposals or RFPs.

REQUISITION – Electronic web purchasing – The electronic workflow developed and distributed to staff by the General Manager or his/her designee as the first step in the request that an item or service be ordered.

VENDOR – Any individual or organization providing materials or services to SOCWA.

WORK ORDER – A numbered cost accounting system used to collect costs for on-going programs, projects, and activities.

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IV. BUDGET PROCESS

The Budget(s) of the Authority and each of its Project Committees is established as set forth in the SOCWA JPA and the various Project Committee Agreements such that the Budget(s) receive the approval of the Member Agencies on an annual basis with each agency having an equal vote in the approval of the Budget(s). Prior to the beginning of each Fiscal Year, the proposed FY Budget(s) are developed for review by the Board. The proposed FY Budget(s) shall include all known proposed Operational and Capital Expenditures (including discretionary and Non-Discretionary items) that may be reasonably expected to be incurred in the new fiscal year.

As a part of the annual budget development, staff will propose the formula, and sub-formulas for the allocation of various expenses distributing the costs of liquids, solids processing, common costs and standby costs based on actual facility usage by member agencies and the same shall be stated in the Budget Assumptions for Board approval. The approved fiscal year Budget(s) comprise the spending authorization for the coming Fiscal Year, and staff shall comply with this Uniform Purchasing Policy and Procedures for the discretionary spending items it controls. Following the close of each fiscal year, SOCWA staff shall complete the Use Audit, which is used to true-up/update the formulas and sub-formulas for the allocation of costs of liquids, solids, common costs and standby costs to Member Agencies based on their actual usage of SOCWA facilities. The revisions based on actual usage are compared to the estimates used to set the Budget(s), and any underpayments or overpayments are reported. Following review by the Finance Committee and recommendation to the Board of Directors, any paid overages or underpaid contributions shall be distributed or collected from Member Agencies in accordance with the approved Use Audit. Staff may propose to the Board opportunities for revisions to the manner and method of allocating costs in order to streamline cost allocations and/or better allocate actual costs based on current facility configurations, needs or usage, and the same may be implemented from time to time if Board and/or Project Committee approved. Any change that alters Project Committee Agreements for sharing of costs shall be approved by the Project Committee member agencies pursuant to the requirements of the Project Committee Agreements.


The Authority staff will report to the Board of Directors on a quarterly basis or as soon thereafter as practicable on the Year to Date performance against the line items in the Budget(s), any amounts under or over line item per category, and any allocation adjustment recommendations. Authority staff is authorized to spend only within the Budget(s) as the same may be adjusted from time to time by action of the Board of Directors. The FY Budget approval by the Board of Directors approves Non-Discretionary Expenses as generally described in Exhibit 2, and the same ~~are~~ is spent routinely, reported in the quarterly budget review, but are not controlled by this Policy.

Adoption of the Budget(s) shall also constitute approval of the Capital Expenditures contained within the Budget(s), and the authorization to make the Capital Expenditures as set forth within the Budget(s) is set forth in Section VI below.

V. PURCHASE ORDER PROCESSING PROCEDURE

All purchases shall be acquired using one of the following Purchase Order types or Payment Voucher:

- Purchase Order – Regular
- Open Purchase Order
- Blanket Purchase Order
- Contract Purchase Order

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- Payment Voucher

The following procedure pertains to the issuance of all Purchase Orders types, excluding Payment Vouchers (PV) addressed separately:

1. Create a Purchase Order Requisition

The Requisition form or Requisition data entry screen (located in Internet Explorer favorites as “SOCWA Web Purchasing”) is filled out to request that an item or service be ordered using the following steps:

- Allow at least two (2) working days of lead time.
- Provide complete name and address of selected vendor when required.
- Indicate what type of Purchase Order, i.e., Regular, Open or Blanket, or Contract Purchase Order in the “External Notes” field.
- Describe items or services clearly and specifically. Include make, model, manufacturer’s part number, catalog number, or vendor catalog page number, if available. Indicate color, size, or any option required.
- Indicate the quantity and unit price for each item (Blanket and Open purchase orders only indicate the dollar not to exceed amount and the expiration time period).
- Note whether the item(s) are taxable.
- Note any freight charges.
- Must indicate a valid General Ledger account number(s), and a correct project number(s) (**not required for Blanket purchase orders**) In the “External Notes” field.
- Indicate the performance period or deliver by date for the item or service.
- Attach any required price quotes and data that supports the requested purchase, if available.
- Seek appropriate approvals as required in Exhibit 1.


The Purchasing Officer will be electronically notified when all required approvals have been received.

2. Contract Purchase Order – Capital Expenditures

A Contract Purchase Order will be used most frequently by the Engineering Department for Capital Expenditure projects included in the fiscal year budget.

A Contract Purchase Order for Construction Projects¹ is awarded to a contractor under the guidelines established in Section VI “General Contracting Policies.” Once the contract is awarded, the Purchase Order Requisition is entered into the system and approved on-line. All bids, quotes, and proposals are forwarded to the Purchasing Officer prior to the Contract Purchase Order issuance. The complete Contract with the Contract Purchase Order is delivered to Accounting for filing in the Administrative Files and/or on the Authority Shared Drive, and the

¹ Contract Purchase Orders may also be utilized by Operations & Maintenance, Finance, Information Technology and in Administration purchasing where appropriate for tracking project scope of work, discrete tasks and/or specifications for a project.

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Vendor Copy & Receiving Copies are returned to the Engineering Department for their records. Copies are also forwarded to Accounts Payable for invoice processing.

3. Issuing a Purchase Order

The Purchasing Officer will create the Purchase Order in the finance ERP system upon electronic notification of the fully executed purchase requisition. In some cases, vendor pricing verification may precede the creation of the Purchase Order, and where the pricing exceeds the signature authority on the requisition, the item will be redirected from Accounting for reauthorization.

- When possible, the Purchasing Officer will electronically send the original purchase order to the vendor and maintain an electronic record for internal usage.
- The approved purchase order will be maintained in the Finance ERP system for use by Accounts Payable for General Ledger recordings and vendor payments.
- A copy of contracts and supporting documents will be maintained in the Administrative Files and/or on the Authority shared drive (or otherwise as an electronic copy). The approved purchase order will be maintained in the Finance ERP system for use by the Warehouse or receiving party pending delivery of goods or services.
- An electronic record of the requisition/purchase order is retained within the purchasing system subject to the Document Retention Policy.

4. Payment Vouchers


The following procedure pertains to the issuance of Payment Vouchers. A Check Request shall be completed for all Payment Vouchers indicating:

- Name and address of the payee.
- Description of the expenditure.
- General Ledger account number(s) and amount for each line item.
- Indicate whether the payment is via check or petty cash. If a check is to be mailed, address and due date, if the check is to be mailed with enclosures, provide an extra copy to attach with the Payment Voucher.
- Notify authorizing party of PV awaiting approval in the system.
- Forward completed Check Request/Invoices with all backup and support to Accounts Payable for processing.

5. Purchase Order Revisions/Changes

A. Non-Contract Change Orders

A Revised Purchase Order Requisition can be used for all PO types except Contract Purchase Orders (see below). Follow the same steps as a Purchase Order Requisition and include the existing PO number. If after a Purchase Order is issued, it is determined that the purchase is going to exceed the original amount by more than 15% or \$300, whichever is greater, or is beyond the original authorizing signature authorization limits, or other changes such as

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additions or deletions are needed, then a Revised Purchase Order Requisition must be completed and approved (refer to Exhibit 1, Appendix 1 for authorization limits).

Requisition changes that increase the value of the original purchase are subject to meeting the authorization limitations of Exhibit 1 and may require reauthorization signatures. Purchase orders over \$24,999 can be approved by the General Manager without Board approval so long as the amount is within the General Manager's spending authorization as either approved in the Budget or otherwise within the amounts set forth in Exhibit 1. Serial purchase orders may not be used to make expenditures for the same discretionary item where in total the amounts exceed the spending authorization limit. However, a change order exceeding the General Manager's spending authorization limits can be authorized by the General Manager prior to Board approval if such expenditure is ratified by the Board at its next regular meeting and if, in the General Manager's determination, any of the following circumstances exist:

- A delay in change order authorization could result in a negative financial impact to the Authority.
- A delay in change order authorization could result in damage to or impairment of the operation of an Authority facility.
- A delay in change order authorization could result in a risk to public health or safety.
- An emergency which requires immediate repair or replacement of an Authority facility.

B. Failure to Secure a Revised Purchase Order

Goods, materials or invoices received that exceed 15% or \$300, whichever is greater or are beyond the original authorizing signature authority will be returned to the vendor if a Revised Purchase Order is not on file at the time of receipt. This does not include Contract Purchase Orders (see Section 6 below).


6. Revisions to a Contract Purchase Order

Changes to Contract Purchase Orders must meet the requirements for Change Orders as set forth in the Contract documents, scope of work or specifications for the contracted work. See Section VI.5 for more specific procedures regarding Construction Project Contract Purchase Orders. An approved Contract Purchase order may be added to or have a portion of the work/cost deleted where there is a corresponding revision to the scope of work resulting in a cost and/or schedule impact. Generally, a revision to a Contract Purchase Order will have as an attachment a contract amendment, supplemental information or change to a scope of work detailing the cost and schedule impact for approval of the authorizing parties.

VI. GENERAL CONTRACTING POLICIES

1. Contract Forms and Standard Terms and Conditions

The General Manager in cooperation and with the Authority counsel shall cause to be prepared and revised from time to time general contracting forms including but not limited to contracts for the acquisition of professional and non-professional services and Purchase Order Terms and Conditions addressing the purchase of supplies, equipment and materials, and services. At the time of issuance, contracts shall be reviewed and completed with information applicable to the purchase, including but not limited to accurate scope of work,

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itemized supply and/or equipment lists and costs, time of performance, task completion dates, task billing or invoicing schedules, and incorporating any changes due to statutory or funding source requirements. For Construction Projects, the General Manager in cooperation with the Authority counsel and the Director of Engineering shall cause to be developed general construction forms, which shall be revised to meet the requirements of the Project and from time to time as best practices and legal requirements change. For Construction Projects, the Authority may utilize general and specific specifications, disclosures, certifications, warranties and other documents which form the whole of the Contract.

2. Competitive Pricing


It is the policy of SOCWA to seek competitive pricing, and quality goods, services, supplies, and materials will be purchased based on the comparison of pricing from multiple vendors or sources wherever possible given the exigency of the need to acquire the purchase. Where possible, the Authority shall utilize an electronic bid system, such as Planet Bids, for purposes of standardizing and tracking proposals, quotes and/or bids.

3. Quality Based, Competitive Procurement for Construction Projects

In addition to the Construction Project Contract, Construction Projects shall be issued a Contract Purchase Order for the project consistent with the Budget and the authorization limits as set forth in Exhibit 1 – Appendix 1, and based on the contract amount approved for award.

A. Construction Contracts issued after Notice Inviting Bids (NIB).

- 1) The Authority may elect to invite bidders to respond to a Notice Inviting Bids (or may elect to use the Quality Based, Competitive Procurement procedures set forth in Exhibit 1). In the event the Authority elects to issue a Notice Inviting Bids under this Section VI.3, the Construction Project shall generally be awarded to the lowest responsive, responsible bidder after solicitation of bids from prequalified contractors or, at the Authority's discretion, from all qualified vendors responding to a published notice of invitation for bid.
- 2) All bids responding to a Notice Inviting Bids for Construction Projects shall be accompanied by a bid security as required by California law.
- 3) Contract forms included in a Notice Inviting Bids for Construction Projects shall require contractors to conform to applicable requirements for public works contracts under State Law, including but not limited to requirements relating to listing of subcontractors, posting of a payment bond in an amount not less than 100% of the total contract amount (all contracts over \$25,000) and payment of prevailing wages (all contracts for public works exceeding \$1,000). The Authority shall require performance bonds for all contracts for Construction Projects in an amount not less than 100% of the total contract amount unless the General Manager specifically waives this requirement.
- 4) The NIB may be sent to a list of previously qualified contractors. Where a limited pool of qualified contractors is available, staff may utilize one or more contractors determined to be qualified. The NIB shall describe the work, including any specifications detailing required materials, services or equipment (or equivalent, if permitted), state where details of any special requirements may be obtained, and indicate the date, time and place for opening bids. The Authority may issue its

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solicitation using electronic publication of the NIB and require electronic bid submission. The Authority may, in its discretion, hold a pre-bid meeting and/or require an indication from qualified contractors of interest in bidding.

- 5) All bids and proposals shall be filed in accordance with Authority instructions either electronically or, if allowed by the Authority in the NIB, in writing.
- 6) Bids shall be opened in public at the date, time and place stated in the NIB, unless otherwise extended in the sole discretion of the Authority by notice to all qualified contractors who have indicated an interest in bidding. The Purchasing Officer or person requesting bids shall direct tabulation of all bids received, and shall allow public inspection of such tabulations during regular business hours.
- 7) The Authority expressly reserves the right to reject any and all bids, find a bid or proposal nonresponsive, waive any minor deviation or inconsistency, and/ or find any bidder non-responsive, subject to the limitations of applicable law.
- 8) After all, bids are opened, an award shall be made to the lowest responsive, responsible bidder. Upon refusal or failure of the successful bidder to execute the Contract and/or the Contract Purchase Order, the award may be made to the next lowest bidder.
- 9) If two or more bids received are within 15% of the same amount and are lower than any other bid or bids received, either or any one of the bids may be chosen, or negotiations may be undertaken with the bidders. If no bids are received from responsible bidders, or if all bids received exceed the Authority's budget or are otherwise non-responsive, the General Manager may authorize the contemplated purchase within the limits of the approved Budget or spending authority.
- 10) On review and recommendation of the Authority Engineering Committee, the Board of Directors shall consider and may approve the award and/or authorize the General Manager to enter into Contracts for the work.

B. Alternative to NIB Procurement

Notwithstanding Section 3.A., SOCWA operates as a Joint Powers Authority that is not mandated by State Law to competitively bid Construction Projects² or other work and, to the extent the General Manager determines that NIB Procurement is unavailing or not in the best interest of the Authority, the Authority may determine not to issue NIBs for Construction Projects, and may utilize Requests for Qualifications and/or Proposals (RFQs, RFPs etc.) consistent with Exhibit 1 (Quality Based, Competitive Procurement Procedure) and issue related contracts (including but not limited to contracts for design-build work); may enter into cooperative agreements with private entities for the design, construction and maintenance of public works; may utilize job-order contracting, or undertake any other form of contracting determined to be in the Authority's best interest, except as otherwise expressly restricted by law or the requirements of funding agreements. Where an alternative to NIB Procurement is utilized for a Construction Project, the Authority staff shall document the reasons the project was not issued with a notice inviting bids.


² The Authority is not required by California Law to competitively bid procurements, including but not limited to purchases of goods, services, materials, equipment or supplies.

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4. Prequalification of Contractors, Vendors and Suppliers

- A. The Authority may periodically establish a list of Contractors, Vendors and/or Suppliers for various types of work, provision of services, supplies, materials or equipment by requiring each prospective provider to complete and submit to the Authority a standardized prequalification package including as appropriate a questionnaire, financial statement, demonstration of like work experience in performing similar work or functions, insurance, indemnification and bond capacity where applicable to the effort, and confirmation of similar or relevant work performed for other public agencies (history and references), among other items. A qualified vendor list may include only one vendor where qualified. The Authority shall update each list of qualified vendors for various types of work periodically as necessary, but no less than every five (5) years.
- B. The Authority will determine whether applicants are qualified for the performance of work for the Authority using standard criteria, including among other items:
 - Verification of financial responsibility
 - Verification of References
 - Quality, fitness, and capacity for the required procurement or service
 - Ability to perform within time commitments
 - Demonstrated quality of prior performance and/or products in previous contracts or services with Authority or other public agencies
 - Ability to meet bonding, indemnification and insurance requirements
- C. In the selection of qualified respondents and/or proposals Authority may consider, among other items:
 - Experience in the wastewater industry
 - Reputation in the area
 - History of performance
 - History of claims or liabilities
 - Recent financial indications
- D. Proposals shall demonstrate, among other items:
 - Proposer is responsive to RFQ, RFP requirements and addresses the scope identified
 - Materials, personnel, or services address the Authority's needs
 - Personnel demonstrate knowledge, judgment, and experience commensurate to the task at hand
 - Ability to meet bonding, indemnification and insurance requirements
- E. Prequalification responses and information may be withheld from public examination until the Authority completes its prequalified selection, except as otherwise required by law.

For federally funded contracts, vendors shall be permitted, to the extent required by applicable federal law and/ or regulations, to be qualified up until the date and time set for receipt of bids/proposals.

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5. Construction Contract Change Orders

Construction Contract Change Orders can occur on a project for several reasons which are summarized as follows:

- Project betterments, additional facilities, or equipment changes requested by the Authority staff.
- Altered conditions such as unforeseen geological conditions (groundwater, rock and unsuitable soil for compaction) and unidentified conflicts with existing facilities.
- Engineering design alterations.

For construction contracts, change orders will be considered in accordance with the construction contract terms, written requirements and conditions, and general and special specifications issued for the project. Unless the change order can be issued by the General Manager subject to ratification by the Board as set forth below, Change Orders that generate cost increases above the contingency or which are otherwise over the authorization limits set forth in Exhibit 1 – Appendix 1, shall be reviewed by the Engineering Committee for consideration by the Board (items approved by the Engineering Committee shall appear on the Board Agenda - Consent Calendar). Each construction project shall come to the Board with a recommendation for a project contingency in line with the identifiable expectations of the Authority staff for the project. Cost increases above the contingency shall be approved by the Board unless:

- The construction change order amount is within the General Manager's authorization as approved in the Budget or is otherwise within the amounts set forth in Exhibit 1 – Appendix 1.
- A change order exceeding the General Manager's spending authorization limits can be authorized by the General Manager prior to Board approval if such expenditure is ratified by the Board at its next regular meeting and if, in the General Manager's determination, any of the following circumstances exist:
 - A delay in change order authorization could result in a negative financial impact to the Authority.
 - A delay in change order authorization could result in damage to or impairment of the operation of an Authority facility.
 - A delay in change order authorization could result in a risk to public health or safety and/or the situation is an emergency which requires immediate repair or replacement of an Authority facility.

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6. Procurement of Professional Services

The General Manager has the authority to procure Professional Services in accordance with the Budget(s) and in accordance with Exhibit 1 - Appendix 1, in addition:

- All contracts for private architectural, landscape professional, engineering firm services, environmental, land surveying, financial and/or auditing work, and construction specialty services, inspection and/or project management services shall be engaged on the basis of demonstrated competence and qualifications for the types of services to be performed and at fair and reasonable prices to the Authority, including among other items:
 - Expertise, competence, and experience in the type of service required and in line with the complexity of the project,
 - Record of performing like work for the Authority or other wastewater, member or like agencies,
 - Cost competitive services,
 - Ability to deliver on time and quality work,
 - Realistic level of effort to be expended.
- All other contracts for Professional Services shall be awarded on the basis of best value to the Authority, as determined by the General Manager.
- Professional services firms may be interviewed by Authority staff or committees, ranked based on competence, qualifications, relevant experience, workload, references, ability to access other needed services, presentation and longevity of team, ability to perform within proposal, and contracts for services may be awarded after negotiation of pricing where appropriate.
- Proposals submitted in response to an RFP for Professional Services may be withheld from public examination until negotiations with the selected vendor are complete, except as otherwise required by law.
- The Authority expressly reserves the right to reject any and all proposals, find a proposal nonresponsive, waive any inconsistency, and/ or find any proposer non-responsible, subject to the limitations of applicable law.

7. Authority Levels

The spending authority levels are generalized by position. Annually, the General Manager shall update the authority levels, and dollar amounts for specific positions, and the same shall be submitted with the Budget Assumptions.

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8. Sole Source

If the General Manager or his/her designee determines that it is in the best interest of the Authority to purchase certain materials, supplies, equipment or services which may be obtainable from only a limited number of qualified sources or a single source, the Authority shall document the basis for that determination and may thereafter proceed without soliciting bids or requesting proposals. Sole source purchases shall be within the Authorization Limits of Exhibit 1 – Appendix 1.

9. Cooperative Purchasing

The District may participate with other public agencies in cooperative purchasing contracts or programs as may be determined by the General Manager to be in the best interest of the Authority.

10. Invoice approvals

Invoices shall be approved based on ~~the~~ Exhibit 1 – Authority and Authorization Dollar Limits.

11. Internal controls and segregation of duties; authority of the General Manager


The Authority operates with a small staff in both Engineering and Accounting and with limited numbers of Department Managers and Supervisors, however, the staff shall endeavor to maintain a segregation of duties that allows for checks and balances in the filing of requisitions (ordering functions), approval of requisitions, purchase orders and contracts, payments and reimbursements, and for the inspecting and receiving of goods and services, and authorization for payment to vendors and outside parties. At a minimum, acquisitions shall require approval of the requisition and subsequent entry to the general ledger to verify on-site delivery and receipt of materials and/or services for the Authority.

Segregation of Duties

In order to assure proper checks and balances in the procurement process, the following general rules apply:

- The individual initiating a requisition for goods or services should not be the same individual who signs (approves) the final purchase order for those goods or services.
- The individual initiating a requisition for goods or services should not be the same individual who signs (approves) the receiving documents for those goods or services. In the event the requisitioning individual is the only one able to receive the goods or services, they may sign the receiving documents and have their immediate supervisor sign the receiving documents at a later time.

Purchasing and policy best practices and statutory requirements of public agencies change from time to time, and it is within the authority of the General Manager to issue such addenda to the Uniform Purchasing Policy and Procedures from time to time to keep the Authority current in its approach.

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VII. DELIVERY AND RECEIPT OF GOODS

Authority personnel accepting materials or services delivered to any plant, storage, warehouse or job site, or items picked up from the contractor, vendor, or supplier must adhere to the following when signing receipts or service orders:

A. Regular Purchase Orders


1. Assure that the delivery is for the Authority and that there is a purchase order for the material.
2. Assure that the packing slip, receipt, bill of lading and/or invoice matches the quantity and material received and sign the document as the receiver.
 - Where the receiving employee has authorized access to the Finance ERP system, open the purchase order applicable to the goods or services received; the purchase order number should appear on the packing slip, service order, or invoice.
 - Select the Receipts Tab and click New Receipt; enter the receipt information.
 - The Receipt transaction will update the General Ledger (GL); the journal entry transaction created based on "Purchase Order Receipts" will debit the GL account entered on Purchase Orders and Credit Accounts Payable.

Deliver hard copy packing slip, receipt, bill of lading, and/or invoice to Purchasing Officer for record filing.

3. Where the receiving employee does not have authorized access to the Financial ERP system, verify that the purchase order number appears on the packing slip, service order, or invoice.
4. Sign the document as the receiver and deliver the document to Accounting for ERP System Entry and record filing.

B. Open Purchase Orders

1. Obtain verbal approval from the appropriate Department Head or Supervisor per Exhibit 1 – Appendix 1 to make the purchase.
2. Purchase item from vendor by signing for the merchandise when picked up or call for delivery to the Authority.
3. Where the receiving employee has authorized access to the Finance ERP system, open the purchase order applicable to the goods or services received; verify the purchase order number appears on the packing slip, service order, or invoice. Select the Receipts Tab and click New Receipt; enter the receipt information.
4. Deliver hard copy packing slip, receipt, bill of lading, and/or invoice to Accounting for record filing.

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5. Accounts Payable will post daily the journal entry transaction created based on "Purchase Order Receipts; debit GL account entered on Purchase Orders and Credit Accounts Payable.
6. Where the receiving employee does not have authorized access to the Financial ERP system, verify that the purchase order number appears on the packing slip, service order or invoice.
7. Sign the document as the receiver and deliver the document to Accounting for ERP System Entry and record filing.

C. Blanket Purchase Order

1. Upon receipt of an order, note the fund, account number, and project number on the packing slip or invoice of the blanket purchase order.
2. Sign and date the packing slip or invoice.
3. Forward completed invoice or packing slip to Accounting for ERP System Entry and record filing.

VIII. EMERGENCY PURCHASES AND REPAIRS

In a situation where the public health, safety or welfare or the protection of the Authority's property faces a present, immediate and existing emergency, the General Manager or his designee may authorize emergency contracts notwithstanding the policies and procedures stated herein without prior Board approval.


Emergency repairs are defined as those repairs or rehabilitation where, in the opinion of the General Manager, a delay would adversely affect water or sewer service, threaten the health and safety of the public, or compromise the integrity or security of Authority facilities, or is likely to result in fines, penalties or other regulatory actions or sanctions. The General Manager will notify the Board via email or phone of authorization and agenda for ratification at the next scheduled Board meeting.

~~VII~~ IX. PETTY CASH

Petty Cash is used to pay for small purchases needed immediately for items that are generally not obtained or purchased from a vendor with a Purchase Order.

A. To obtain a Petty Cash advance or reimbursement:

- Fill out a Petty Cash form with the amount, General Ledger account number and description. Sign on the 'Received By' or 'Requested' line.
- Obtain proper authorization from Supervisor or Department Head as authorized under Exhibit 1.
- Submit the request form or form and receipt for the advance or reimbursement. For reimbursements, receipt(s) must be attached to Petty Cash form. For

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advances, Petty Cash receipts evidencing purchase must be returned the next available business day.

- All Petty Cash requests are to be approved and signed by the General Manager or the General Manager's designee.

~~VX~~ X. CREDIT PURCHASING AND PROCEDURES

Credit purchasing may be used to establish a more efficient, cost-effective method of purchasing and payment for small-dollar transactions.

Credit purchasing should be done by Open or Blanket PO wherever possible.

The credit purchasing procedures are attached in Exhibit 3 – Credit Purchasing Procedures and Exhibit 4 - Credit Card Request / Expense Form.

Credit cards may be requested and approved by the General Manager and are designed to reduce a variety of processes including blanket orders, petty cash, and small dollar purchase orders.

~~VXI~~ XI. CONFLICTS OF INTEREST

No officer, employee or agent (including consultants) of the Authority engaged in the award and administration of contracts shall participate in the preparation of specifications, or in the award or administration of a contract if he or she has any potential or actual financial interest in such contract. State Law prohibits Authority officers, employees or agents from soliciting gratuities, favors, or anything of monetary value from contractors, potential contractors or parties to sub-agreements. Receipt of business expenses, such as meals or miscellaneous gratuities, are reportable by employees in accordance with the requirements of State law and in compliance with the Authority's Conflict of Interest Code.


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Exhibit 1

Authority and Authorization Dollar Limits


The General Manager and General Manager Designees have the authority to purchase supplies, materials, equipment, Professional and Non-Professional Services, and make Capital Expenditures for Construction Projects as authorized in the Budget(s) subject to the limitations set forth in this Exhibit 1 - Appendix 1, except that the following limits do not apply to Non-Discretionary Expenses (see Exhibit 2).

A. Purchases in Excess of \$50,000

1. Quality Based, Competitive Procurement

Purchases of materials, supplies, equipment, and Professional and Non-Professional Services reasonably estimated to cost more than \$50,000 shall be acquired based on competitive demonstrations of qualification and pricing, as discussed in Policy Section VI.2. using the following competitive procurement procedures.

- Request for proposals (RFP) may be sent to a list of previously qualified vendors. Where a limited pool of vendors, suppliers, or service providers are available, staff may seek both an RFQ and RFP in the same solicitation. The RFP shall describe the supplies, services, or equipment to be purchased, state where details of any special requirements may be obtained, and indicate the date, time, and place for opening proposals. In addition, at the Authority's sole discretion, proposals may be solicited from all responsible vendors by electronic publication of the RFP, or from those vendors who have requested in writing that they be notified.
- All proposals shall be filed in accordance with Authority instructions either electronically or in writing.
- Responses to RFQ's and/or RFP's shall be reviewed consistent with Section VI.4. of the Policy for consistency to Authority requirements.
- The Authority expressly reserves the right to reject any and all proposals, find a proposal inconsistent with Authority requirements, waive any minor deviation or inconsistency, and/ or find any proposer unqualified.
- After proposals are ranked for consistency and qualification, the Authority shall open and consider pricing, and thereafter an award may be made based on consistency, qualification, and best overall value. Upon refusal or failure of the successful respondent to execute the purchase order and/or contract, the award may be made to the next best-ranked respondent. If two or more proposals are equally qualified and within 15% of the same amount and are lower than any other bid or bids received, either or any one of the respondents may be chosen, or negotiations may be undertaken based on either proposal. If no proposals are received that demonstrate consistency, qualification, and value to the Authority, or if the proposals received exceed the Authority's budget or are otherwise non-

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responsive, the General Manager may authorize the contemplated purchase within the limits of spending authority.

- Purchase must be approved by the Board of Directors.

The Authority may elect to utilize the Quality Based, Competitive Procurement approach stated above as the procedure to award Construction Projects as an alternative to the NIB Procurement set forth in Section VI.A. of the Policy.

B. Purchases between \$25,000 and \$50,000

1. Such purchases shall be made from a qualified vendor after requesting three informal price quotations. If fewer than three vendor sources respond or are available, or if the product sought is not readily obtainable on the open market, or in the event of an emergency, this procedure shall be adjusted as required, and the reasons for such adjustments shall be noted on the purchase records.
2. Purchases must be approved within the signature authority of the authorizing Authority staff (Exhibit 1-Appendix 1).
3. Budgeted purchases must be approved within the signature authority of the authorizing Authority staff (Exhibit 1-Appendix 1).

C. Purchases between \$5,000 and \$25,000


1. Such purchases shall be made from a vendor after obtaining at least two price quotations wherever possible. If fewer than two vendor sources respond or are available, or if the product sought is not readily obtainable on the open market, or in the event of an emergency, this procedure shall be adjusted as required, and the reasons for such adjustments shall be noted on the purchase records.
2. Purchases must be approved within the signature authority of the authorizing Authority staff (Exhibit 1-Appendix 1).

D. Purchases under \$5,000

1. Such purchases shall be made from a vendor after obtaining pricing information.
2. Purchases must be approved within the signature authority of the authorizing Authority staff (Exhibit 1-Appendix 1).

E. Price Quotations

1. In the evaluation of price quotations, the Authority staff shall consider:
 - Minimum quality for a specific quantity of goods or services with specific attributes.
 - Known specifications for like or better items (quality)
 - Quantity involved in the purchase
 - Whether the items are standard “off the shelf” (easily replaced) or custom
2. Generally, suppliers responding with firm quotations, quoting the lowest-price, within acceptable quality / quantity standards are preferred.

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Appendix 1- (to Exhibit 1)

Board Delegation of Approval Authority for Discretionary Expenses (Effective July 1, 2019)

Dollar Limits	Board of Directors	General Manager	Department Heads	<u>Department Managers</u>	Chief Operators	Supervisors
Purchase Orders & Contracts						
\$50,001 & up	X					
up to \$50,000		X				
up to \$25,000			X			
up to \$5,000				X	X	
up to \$2,500						X
Check Requests						
\$50,001 and over	X					
up to \$50,000		X				
up to \$25,000			X			
up to \$5,000				X	X	
up to \$2,500						X
Petty Cash`						
\$400 and under		X	X	X	X	X
Contracts						
\$50,001 and over	X					
Up to \$50,000 (Construction Chg. Order w/in budget) 10% of contract		X				
Non-Discretionary Budgeted Costs reported to Board - \$50,001 and up		X				
Emergencies						
\$50,001 and over	X (or their designee)	X				

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Exhibit 2

Non – Discretionary Expenses

Non-discretionary Expenses are items that are approved for expenditure with the FY Budget and do not require further Board Action for payment, including those that exceed the General Manager limit of \$50,000. Non-Discretionary Expenses are listed under two categories, known as Contractual Agreements³ and Essential Expenses. **Non-Discretionary Expenses approved by the General Manager above the \$50,000 limit are reported to the Board.**

Contractual Agreements, Purchase Orders:

1. Budgeted Expense:

Cash Management Fees for Bank Services – and deposits to LAIF, if any
Insurance Payments (general liability, worker's compensation, etc.)
Computer System Purchases, Maintenance Contracts, and Computing Support Services:

- Blackbaud / Financial Edge (ERP Systems)
- Tabware
- SCADA Systems

Facilities Maintenance Agreements

- HVAC Equipment and Services
- Landscape Maintenance
- Building Cleaning Services
- Plumbing Services
- Trash disposal
- Security Patrols and Services
- Routine facilities maintenance and upkeep
- Approved or Authorized Equipment Manufacture Parts and Services Agreements
- Manufacture Equipment Warranty and Service Agreements Deliveries
- Chemicals for Treatment Plants
- Materials used in wastewater treatment, Ferric Chloride, etc.
- Natural Gas Purchases


Regional Participation Agreements

- Integrated Regional Watershed Management annual fee

Operations and Maintenance

- Operating Leases, trailer space, equipment, etc.
- Hauling Contracts

³ Where a Non – Discretionary Contractual Agreement with a vendor exceeds \$50,000, the award will be reported to the Board of Directors.

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- Biosolids
- Grit & Screenings
- Solids & Residuals, Scum, etc.
- Deliveries
 - Chemicals for Treatment Plants
 - Materials used in wastewater treatment, Ferric Chloride, etc.
- Routine Operational
 - Uniforms
 - Machining
 - Equipment servicing
 - Scrubber system maintenance
 - Centrifuge servicing, etc.
- Fleet / Truck / Vehicle Expenses
- Business Supplies
 - Printers, Computer & Paper Supplies
 - Miscellaneous Business Supplies

Human Resources Expenses

- Training & conferences
- Routine cost evaluations, market salary verifications,
- Employment verifications, etc.
- Employee contingent liabilities
- Salaries and benefit payments
- Deferred compensation payments
- PERS – Employer Costs
- Federal and State Employee Taxes
- Medicare Taxes
- Approved Capital Projects
- FY Expenditures
- Retention Releases

2. Essential Expenses:

- Utilities (power, gas, phone, mobile services, emergency services and data communications lines).
- Water Purchases, water meter
- Sales and Use Tax payments
- Permit Fees
- Regulatory Fees and Charges


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Exhibit 3

Credit Purchasing Program and Procedures

Benefits:

The purpose of the use of credit is to establish a more efficient, cost-effective method of purchasing and payment for small-dollar transactions. Business credit is designed to reduce a variety of processes, including petty cash, and small dollar purchases orders. Efficiency is increased by obtaining goods and services in a quick and convenient way. Paperwork and processing in Purchasing and Accounts Payable are sharply reduced, and purchasing records related to the credit are clear and concise. These efficiencies prevent businesses from lending unauthorized credit and improve employee efficiency.

Business credit may be established in several ways:

- Open or Blanket Purchase Orders as set forth above for vendors in the immediate area.
- Credit card used for business vendors offering payment by credit card. Larger and out of area businesses may be the least costly resource for goods, materials or supplies and credit card purchasing offers an efficient way to access lower pricing and record transactions.

Open / Blanket Purchase Orders

Business credit may be established by open or blanket purchase order and is the preferred method of establishing local business supplier authorization.

Credit Card Use and Controls


Authority issued credit cards shall use internal management controls to ensure that issuance and use of credit cards are in compliance with Authority policy. Use of a credit card is not intended to replace effective procurement planning, which enables volume discounts. Contracts for capital acquisitions and other contract payments shall not be made by credit card, and inventory shall be replenished utilizing another purchasing method, although spot inventory replacements may be made if necessary.

The Authority issued credit cards will be used for official Authority business only. Individual Credit Cards issued to Authority Employees require the approval of the General Manager. All employees shall utilize Credit Card request/expense reports to track purchases, amounts, and items purchased to verify against the Credit Card Statements. Card purchases will be reviewed by Accounts Payable to confirm all documentation has been received and approved.

Allowable Uses

Authority issued credit cards may be used for the following based on the Purchasing Policy authorizations:

- a. Conferences/Training/Seminars
- b. Travel expenses for official Authority business.
- c. Fuel for Authority vehicles.

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- d. Emergency repairs to Authority vehicles when outside the local area.
- e. Special events as authorized by the General Manager.
- f. Internet purchases where better pricing is available.
- g. Small purchases as authorized by the General Manager or Department Heads.

Prohibited Uses

The Authority credit card shall not be used for the following:

- a. Any personal items and personal services, even if the intent is to repay the Authority at a later date.
- b. Cash advances, wire transfers, money orders, etc.
- c. Betting, casino gaming, or related activities.
- d. Court costs, fines, bail, or bonds.
- e. Rental or lease payments unrelated to Authority business.
- f. Purchase of telephone services including pagers/calling cards, except for telephone calls charged to hotel room while traveling on Authority business.
- g. Alcoholic beverages.
- h. Other prohibited/restricted uses as deemed by the General Manager.


Any misuse of an Authority credit card is considered improper use of Authority property and is subject to disciplinary action.

Credit Card Purchase and Statement Procedure

Credit cards may be requested for purchases from the Purchasing Officer(s) based on an approved Credit Card Request/ Expense form. Staff shall complete the following steps with each credit card purchase:

Documentation Required

1. Require the vendor to provide the following documentation:
 - a. The imprint of vendor name and identification.
 - b. Date of purchase.
 - c. Amount of total purchase.
 - d. Description of items being purchased.
2. Retain the sales draft with accompanying receipt/invoice. For Internet orders, a printed copy of the order form.
3. For mail orders, maintain a copy of the order form.

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4. In the case of meals: each receipt must include the names of all persons involved in the purchase, a brief description of the business purpose, in accordance with Internal Revenue Service regulations.
5. All approved Credit Card Request/Expense forms along with charge receipts, will be returned with the credit card back to the Purchasing Officer(s). The Purchasing Officer will forward all documents Accounts Payable for verifying to the Credit Card Statement and processing for payment.

Payment Processing

Individual Cards

Monthly statements will be mailed to the Authority. Upon receipt of the statement, cardholders shall complete the following steps:

- A. Balance all sales drafts, receipts/invoices, or order forms to the statement, which will show all transactions made during the billing cycle. All items must be accounted for on the statement with supporting documentation. If the cardholder had no purchases during the billing cycle, no statement would be generated.
- B. Indicate the account number to be charged for each item by writing it on the statement.
- C. Within five (5) days of receipt of the credit card statement, the balanced statement with attached sales drafts, receipts/invoices, logs and order forms, and Credit Card Request/Expense forms will be submitted to Accounts Payable for payment processing.

The Finance Department will process all credit card billings in sufficient time to avoid late penalties and interest. Repeated failure by the cardholder to provide the necessary documentation to Accounts Payable within the specified time period may result in the users' credit card privileges being suspended or revoked.

Billing Errors and Returned Items


If a purchased item is billed incorrectly, the Purchasing Officer(s) and cardholder are responsible for contacting the vendor within ten (10) days after the receipt of the statement regarding the disputed items. The Purchasing Officer(s) and cardholder shall note the transaction on the statement, indicating "questioned item," and provide a brief written explanation.

If a purchased item is returned, the Purchasing Officer(s) and cardholder are responsible for contacting the vendor and requesting a credit transaction. The Purchasing Officer(s) and cardholder shall note the transaction on the statement, indicating "pending credit."

Fraudulent Charges

If fraudulent charges are discovered on the statement, the Purchasing Officer(s) and cardholder will immediately take the following actions:

- a. Notify the Finance Controller of the fraudulent charges.
- b. Notify the Credit Card Company of the fraudulent charges.
- c. If necessary, initiate the process to cancel the card and have a replacement issued.

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Lost or Stolen Credit Card

Should a cardholder lose or have his/her Authority credit card stolen, it is his/her responsibility to contact the Finance Controller who will contact the credit card company immediately in order to have the further use of the card blocked. Prompt action is necessary to reduce the Authority's liability for fraudulent charges.

Cardholder Changes

Changes to an individual cardholder's name or address shall be reported immediately to Accounts Payable and Purchasing Officer(s). Prior to leaving the Authority, the cardholder shall return the District credit card to Purchasing Officer(s). Both Accounts Payable and Purchasing Officer(s) will keep a current listing of all credit card types; personnel issued credit cards, credit card numbers, credit Limits, and their uses. This will be updated monthly and reported to the General Manager. Summary: The above guidelines cannot cover every issue, exception, or contingency that may arise in using Authority credit cards. Accordingly, the basic standard that shall always prevail is to use common sense and good judgment in the use and stewardship of Authority resources.


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Exhibit 4

South Orange County Wastewater Authority Credit Card Request/Expense Form

Date: _____

Card Requested: _____

(Visa, Home Depot, Lowe's, Staples, & Costco)

Vendor Name: _____

Employee Name: _____ Employee Number: _____

Individual Card: _____ or One-Time Purchase Request: _____

Card Limit: \$_____ Estimate One Time Purchase: \$_____

Actual amount of purchase: \$_____

Items to be purchased:

Reason for purchase:

Accounting Code(s) _____

Department / Supervisor Approval: _____


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Revised: December 12, 2019 March 5, 2015	Title: Uniform Purchasing Policy and Procedures

Exhibit 5

Approval List

Authorized	Title	Levels	Amounts
SOCWA Board	Board Approval	Board of Directors	\$50,001 & up
	General Manager	General Manager	Up to \$50,000*
	Director of Engineering	Department Head	Up to \$25,000
	Director of Operations	Department Head	Up to \$25,000
	Director Environmental Compliance	Department Head	Up to \$25,000
	Finance Controller	Department Head	Up to \$25,000
	Chief Plant Operators	Chief Operators	Up to \$7,000
	Chief Mechanic	Department Manager**	Up to \$5,000
	Laboratory Manager	Department Manager**	Up to \$5,000
	Support Services Manager	Department Manager**	Up to \$5,000
	Human Resources Administrator	Supervisors**	Up to \$2,500
	IT Administrator	Supervisors**	Up to \$2,500
	Maintenance Supervisor	Supervisors**	Up to \$2,500

*General Manager Non-Discretionary Spending Above \$50,000 is approved when within annual budget and reportable to the Board when it occurs.

**Department Manager/Supervisor spending is reviewed by a responsible Director level employee (i.e. Director of Environmental Compliance, Director of Operations or GM).