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**May 4<sup>th</sup>, 2023**

**SOCWA Facilitated Discussion**

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**Draft Workshop Agenda**  
**South Orange County Wastewater Authority (SOCWA)**  
**May 4, 2023, 10 am – 2 pm**  
**Working Group on SOCWA Future Direction**

**Workshop Goals:**

1. Introduce workshop participants and facilitator
2. Set stage and ground rules for collaboration
3. Confirm purpose of workshops and participant expectations
4. Affirm a common vision and criteria for a successful outcome
5. Begin the process of identifying a Common Definition of the Challenge
6. Hear from ALL designated participants

- |          |  |
|----------|--|
| 10 am    | Welcome, introductions, role of facilitator and review of workshop goals   |
| 10:20    | Timeline and scope of discussions  |
| 10:35    | Outcomes and expectations <ul style="list-style-type: none"><li>• Individual and collective objectives for workshops</li><li>• What constitutes a successful outcome of this process?</li><li>• Consensus and collaboration primer</li></ul> |
| 11:15    | Synopsis of January “Blueprint” <ul style="list-style-type: none"><li>• Definition of the Challenge</li></ul>  |
| 11:30    | Synopsis of SCWD Proposal to Optimize SOCWA <ul style="list-style-type: none"><li>• Definition of the Challenge</li></ul>  |
| 11:45    | Lunch  |
| 12:15 pm | Definition of the Challenge <ul style="list-style-type: none"><li>• Perspectives of rest of participants</li><li>• Consensus Definition of the Challenge</li></ul>   |
| 1:00     | SWOT Exercise on Status Quo <ul style="list-style-type: none"><li>• Strengths</li><li>• Weaknesses</li><li>• Opportunities</li><li>• Threats</li></ul>   |
| 1:40     | Public Comment   |
| 1:55     | Next steps and adjourn   |

# Potential Topics/Dimensions

- Structure
- Membership
- Decision making
- Assets and ownership
- Costs for services
- Operations
- Staffing
- Liabilities
- Legal considerations
- Relationships

# Collaborative Problem Solving Approach



# Positional Bargaining

- Positional bargaining is a *battle of wills*
- Positional bargaining is *hard on relationships*
- Positional bargaining *produces unwise agreements*
- Win-lose usually becomes

*LOSE-LOSE*



# Positions Versus Interests

- Can't ask people to set aside their interests
- Can ask people to suspend their positions while participating in process
- Intent of collaborative problem solving is to articulate and understand stakeholders' interests so best solution can be crafted



# Collaborative Problem Solving Approach

1. Develop a common definition of the problem
2. Develop objective criteria for evaluating the potential solution
3. Generate alternative solutions based on the problem definition
4. Evaluate alternatives using objective criteria
5. Seek consensus on alternative(s) that best meet criteria





**Common  
Ground**



# Ground Rules of Collaborative Problem Solving

- Everyone's perspective is valued
- Listen to understand, not to debate
- Be hard on the issues – soft on the people
- Avoid right-wrong paradigms
- Everyone should have an equal opportunity to participate
- What's past is past – focus on the future



# Outcomes of Collaborative Problem Solving



- Gain mutual respect for each other's interests
- Develop alternatives that respect everyone's interests
- Not uncommon to develop solutions that no one has imagined yet



# LEVELS OF CONSENSUS

Consensus is considered to have been achieved if all participants indicate they are at Levels 1 through 4.

*The Levels of Consensus are:*

1. I can say an **unqualified 'yes'** to the decision. I am satisfied that the decision is an expression of the wisdom of the group.
  2. I find the decision **perfectly acceptable**.
  3. I can **live with** the decision; I'm not especially enthusiastic about it.
  4. I do not fully agree with the decision and need to register my view about it. However, I do not choose to block the decision. I am **willing to support** the decision because I trust the wisdom of the group.
  5. I do not agree with the decision and feel the need to **stand in the way** of this decision being accepted.
  6. I feel that we have no clear sense of unity in the group. We need to **do more work** before consensus can be reached.  
(Kelsey 1991)
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# SOUTH COAST WATER DISTRICT

*Partnering With The Community*

February 24, 2023

Board of Directors  
South Orange County Wastewater Authority  
34156 Del Obispo Street  
Dana Point, CA 92629

Dear SOCWA Member Agencies and SOCWA staff,

**Subject: South Coast Water District's Proposal to Optimize SOCWA**

The purpose of this letter is to convey South Coast Water District's (SCWD's) recommended course of action for optimizing and modernizing the South Orange County Wastewater Authority (SOCWA) and to acknowledge and address the January 23, 2023, South Orange County Wastewater Blueprint (Blueprint) proposal developed by Santa Margarita Water District (SMWD) and Moulton Niguel Water District (MNWD).

At the outset, SCWD sincerely appreciates the insights and efforts put forth by SMWD and MNWD to develop the Blueprint proposal. We have reviewed and analyzed the Blueprint and acknowledge several salient and beneficial concepts; however, from our standpoint the development of a future roadmap and proposal for modernizing SOCWA must be undertaken through a collaborative process. Ideally, reforms should be jointly formulated to beneficially meet the needs of all SOCWA members and, among other things, incorporate opportunities for operational reforms, financial efficiencies, and augmented recycling opportunities as generally outlined in the Blueprint proposal. In this regard, while SCWD has several concerns and questions regarding the Blueprint proposal which are detailed in Attachment 1, we propose that elements of the Blueprint along with a full range of other proposals and ideas be formulated, evaluated, and considered for implementation through a consensus-based process among all the SOCWA members. Such a process would involve identifying and seeking common agreement on the issues and challenges at SOCWA, establishing long term goals and objectives, and jointly developing a full range of appropriate solutions and reforms.

In reviewing the Blueprint proposal, we note several key objectives put forth by SMWD and MNWD including the optimization of operations and administration, and the need for

**Board of Directors**

Doug Erdman  
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*Vice President*

Rick Erkeneff  
*Director*

Bill Green  
*Director*

Joe Muller  
*Director*



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SCWD.ORG



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control of wastewater treatment to support potable reuse initiatives. From SCWD's perspective, all these objectives as well as others such as agreed-to levels of service and strong regional collaboration can be successfully accomplished at SOCWA under the existing joint powers structure. For example, an inter-agency wastewater treatment and flow agreement to support the Orange County Groundwater Replenishment System (GWRS) has been in place and effectively implemented between Orange County Sanitation District (OC San) and the Orange County Water District (OCWD) for over two decades. Such agreements could also be put in place between SOCWA and its member agencies if members are willing to collaboratively work through SOCWA to address such issues. This example illustrates SCWD's position and a key point that SCWD Director Scott Goldman has made in several SOCWA Board and PC-2 committee meetings: that opportunities to improve SOCWA and address the specific goals and objectives of the member agencies can effectively be accomplished under SOCWA's existing structure. What's been missing, and is recommended by SCWD, is a framework for all SOCWA members to work in partnership by engaging in a process to jointly develop proposals and constructively affect change.

**SCWD Recommended Course of Action:**

SCWD proposes a collaborative workgroup process facilitated by a neutral third party that engages and involves all SOCWA member agencies. The primary goals of the facilitated workgroup process will be to:

1. Identify the key issues and challenges with the existing SOCWA structure, service, and governance;
2. Come to consensus on a common set of goals and objectives for improving SOCWA, addressing issues and challenges identified by SOCWA's member agencies, and positioning the organization for the future;
3. Develop mutually acceptable proposals and reforms to successfully address the goals and objectives and identify specific actionable changes within SOCWA;
4. Identify opportunities to streamline SOCWA administrative, engineering, and financial functions; and
5. Work toward the development of new policies and amendments to each of the applicable SOCWA agreements (e.g., JPA agreement, Project Committee agreements, and others) to implement the agreed-to changes that are needed to modernize SOCWA and meet the member agencies' goals for the organization.

**Proposed Timeline:**

The following table outlines SCWD's recommended workplan for this process and a proposed timeline. This workplan highlights a collaborative decision-making process and critical due

diligence items that SCWD recommends take place prior to the consideration of significant changes at SOCWA. To support this overall effort and provide a reasonable time allowance to address issues, SCWD recommends amending the existing PC-2 Agreement to extend its term, with December 31, 2023, as the new date of termination.

Item	Task	Milestone Completion Date
Facilitated process	<ul style="list-style-type: none"> <li>• Select a neutral third-party facilitator to manage all collaborative tasks.</li> <li>• SOCWA Board approval of facilitator proposal and scope of work.</li> <li>• Facilitated workshops with all member agency representatives to undertake and build consensus on the following:                             <ul style="list-style-type: none"> <li>○ Critical issues that need to be resolved at SOCWA.</li> <li>○ Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis using AWWA Effective Utility Management guidelines.</li> <li>○ Guiding principles for addressing issues and evaluating proposed changes.</li> <li>○ Development of consensus-based solutions and proposed reforms.</li> <li>○ Identification of performance benchmarks and success metrics.</li> </ul> </li> <li>• Submittal of a summary report with items recommended by the member agencies for implementation:                             <ul style="list-style-type: none"> <li>○ Policy revisions, new agreements, revisions to SOCWA’s existing Project Committee (PC) and Joint Powers agreements, and other mechanisms.</li> <li>○ Proposed milestone implementation schedule.</li> </ul> </li> </ul>	<p>March 2023</p> <p>April 2023</p> <p>May through October 2023</p> <p>December 2023</p>
Due diligence studies to support decision making	<p>To support the facilitated process and member agencies’ decision making on proposed changes, SCWD recommends SOCWA consider contracting for the following due diligence items:</p> <ul style="list-style-type: none"> <li>• Financial study to evaluate the current cost allocation methodology and model potential changes, with specific attention to a proportionate share of costs considering peak flows (including Infiltration and Inflow).</li> <li>• Condition Assessments of SOCWA treatment plants.</li> </ul>	<p>November 2023</p> <p>December 2023</p>

South Coast Water District's Proposal to Optimize SOCWA

February 20, 2023

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Project and other agreements	<ul style="list-style-type: none"><li>• Extend Term of PC-2 Agreement to December 31, 2023.</li><li>• Develop terms and conditions, as needed, for SOCWA's existing PC agreements and Joint Powers Agreement based upon consensus recommendations.</li><li>• Develop terms and conditions, as needed, for new inter-agency agreements such as recycled water flow and quality, contract operations and administrative support, and others based upon consensus recommendations.</li></ul>	April 2023 December 2023  December 2023
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SCWD acknowledges that meeting the schedule provided above will depend on the complexity of the issues and the ability of the parties to work toward consensus. We believe that with a good faith effort, the schedule is achievable. Furthermore, if positive progress is being made during the process and the SOCWA members collectively believe more time is necessary, then the dates outlined above, including the termination date for the PC-2 Agreement, can be adjusted accordingly.

In closing, SCWD appreciates the extensive effort by both MNWD and SMWD to prepare the Blueprint proposal. The Blueprint outlines potentially beneficial concepts, provides constructive feedback and identifies important considerations regarding the future of SOCWA. SCWD maintains that the existing SOCWA structure can work well but agrees there are areas for improvement and reform that will potentially improve service, modernize the organization, and better meet the needs of all member agencies. Notwithstanding the need for change, SOCWA was formed and has operated successfully through a collaborative process among its member agencies. It has very effectively and efficiently operated and managed wastewater treatment facilities, land outfalls, ocean outfalls and other facilities for many years with an excellent record of service and regulatory compliance. SOCWA has also proven its ability to consistently produce high-quality recycled water at the request of its member agencies, and has successfully implemented capital and other projects directed by the various PC members.

The existing SOCWA joint powers framework has served its members well and was founded on the basis of regional cooperation. In this context, SCWD (and the undersigned agencies) recommend that an intensive collaborative process as outlined in this letter be undertaken for SOCWA to identify critical issues, define an appropriate level of service, identify areas of improvement, develop recommendations, complete associated due diligence studies, and amend or develop new agreements, policy changes and other mechanisms to successfully move SOCWA into the future.

South Coast Water District's Proposal to Optimize SOCWA

February 20, 2023

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Sincerely,

Douglas Erdman  
President of the Board  
South Coast Water District

Scott Goldman  
SOCWA Director representing  
South Coast Water District

Attachment

cc: Bill Green  
Rick Erkeneff  
Joe Muller  
Rick Shintaku

City of Laguna Beach

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

City of San Clemente

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

El Toro Water District

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Emerald Bay Service District

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Irvine Ranch Water District

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Moulton Niguel Water District

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_



**Santa Margarita Water District**

**By:** \_\_\_\_\_

**Name:** \_\_\_\_\_

**Title:** \_\_\_\_\_

**Trabuco Canyon Water District**

**By:** \_\_\_\_\_

**Name:** \_\_\_\_\_

**Title:** \_\_\_\_\_

## ATTACHMENT 1

### SCWD Analysis of Blueprint Proposal February 2023

- **COVER LETTER:**
  - SCWD disagrees with the premise on page 2 of the cover letter that SOCWA did not foresee the advancements and opportunities for additional water reuse and the inference that SOCWA inhibited recycled water utilization. As indicated in the February 2, 2023, SOCWA Board meeting presentation by Amber Baylor (Agenda Item 8.C.), SOCWA staff have facilitated, properly planned and implemented water recycling in the region as requested by the member agencies. In fact, SOCWA staff successfully operate SCWD's Advanced Water Treatment facility that treats the Coastal Plant effluent to a high, Title 22 level, which is in turn used to provide landscape water for SCWD service area golf courses, resorts, HOAs, parks, City parkways, and more. Furthermore, SCWD does not agree that the retail water/recycled water agency needs full control of the wastewater treatment plant to ensure proper source water for planned water recycling project(s). OCWD and OC San (and many other separate water and sewer utilities) have successfully addressed this issue through interagency agreements.
  
- **FACILITY ASSETS:**
  - The Blueprint initially identifies contract operations, including the transfer of assets to MNWD and SMWD. SMWD General Manager Dan Ferons clarified at his presentation of the proposal that there is flexibility in that SMWD and MNWD would be willing to accept either: (Option 1) a transfer of assets to SMWD and MNWD; or (Option 2) no asset transfer. Neither the Blueprint document nor General Manager Ferons' presentation indicated that under Option 1, compensation would be provided to the remaining respective PC members for their past investment in the treatment plant assets.
  
  - The Blueprint does not provide a rationale for why the San Juan Creek and Aliso Creek Ocean outfalls are not being acquired by SMWD and MNWD. These facilities are integral to the operation of the JBL and Coastal Treatment plants.
  
- **OPERATIONS & ENGINEERING:**
  - Under the Blueprint, SOCWA would retain the NPDES and Recycled Water regulatory permit responsibilities for the treatment plants (which are proposed to be owned/operated by SMWD and MNWD). It is not clear that this arrangement would provide the appropriate level of regulatory accountability.
  
  - The Blueprint does not specify which staff (and how many FTEs) SOCWA will retain to maintain the outfalls and related infrastructure, or if it is anticipated that this function will be performed by a combination of SMWD and MNWD staff, and SOCWA staff.

- There are significant potential cost savings identified in the Blueprint from existing SMWD and MNWD staff supplementing SOCWA staff in the operation of facilities (e.g., operations, finance, engineering, etc.). SCWD has several questions and concerns regarding this plan, as follows:
  - What is the term of this supplemental period and agreement? 50 years?
    - Is the 6.5% specified in the Blueprint sufficient to recover all SMWD's and MNWD's labor costs for the operation of the treatment facilities?
    - What assurances are there that SMWD and MNWD will absorb these costs and duties in the long term?
    - Does this meet all existing and future legal requirements, such as Prop 218?
  - The Blueprint Proposal does not provide an attachment that shows the data used to calculate the individual agency's cost savings.
  - It appears that the cost savings proposed in the Blueprint are significantly offset by costs for staffing and risks being absorbed by SMWD and MNWD. From SCWD's perspective, this provides further evidence that the existing SOCWA structure can work (i.e., why would this supplemental staffing be needed if SOCWA staff have already been satisfactorily operating the SOCWA facilities under the current structure).
  
- It is not clear in the Blueprint that the proposed staff deployment plan (hours and availability) is materially different or better than SOCWA's current staffing plan, or if there is an operational coverage problem with existing SOCWA staff that needs to be addressed.
  
- It appears that the energy consumption practices referenced on pages 10 and 11 of the Blueprint Proposal could all be implemented under the existing SOCWA structure.
  
- There is no specific information offered in the Blueprint as to why SOCWA's preventative maintenance program needs improvement (page 12 of the proposal).
  
- The Blueprint does not provide a comparative table of available performance metrics for the SOCWA, MNWD, and SMWD wastewater treatment plants, or specifically indicate where SMWD's and MNWD's metrics meet or exceed SOCWA's metrics. SCWD recommends that identifying these performance metrics could effectively inform the proposed collaborative review process.
  
- It's not clear why the capital planning proposal (pages 14 and 15) can't be implemented under the existing SOCWA structure. If needed, SOCWA could utilize consultant assistance to accomplish this pursuant to expectations set forth by SMWD, MNWD and the other member agencies.
  
- It's not evident how SMWD and MNWD would provide an improvement in the engineering service areas (e.g., CIP execution, emergency project delivery, etc.), as compared to SOCWA staff with sufficient consultant help. It appears that SOCWA engineering is understaffed due to the budgetary pressures applied by various member

agencies. As such, a more relevant “apples-to-apples” analysis may be to compare for the same levels of service, the fully burdened costs for SOCWA engineering staff plus consultant help, with the proposed MNWD and SMWD engineering staffs with consultant support and remaining SOCWA engineering staff.

- **WATER RECYCLING – IPR, DPR, TITLE 22, ETC.**

- The Blueprint does not provide a compelling rationale why proposed water recycling opportunities cannot be pursued under the current SOCWA structure.
- Presentations by SMWD and MNWD and the Blueprint indicate that SMWD and MNWD need better control of the treated sewage for potable reuse purposes and, hence, the agencies are proposing to assume control of the sewage treatment process (currently assigned to SOCWA operations). It appears that other potable reuse projects, such as the Orange County Groundwater Replenishment System (GWRS), function effectively with interagency agreements to ensure quality and quantity of treated wastewater flows without transferring operational responsibility to the “water agency.” The interagency agreement between Orange County Sanitation District (OC San) and Orange County Water District (OCWD) has been in place for over 20 years and provides a successful framework for the operation of the GWRS.
- It is not clear in the Blueprint if SMWD or MNWD are proposing to recycle sewage in excess of their respective allocated flows. If this is the case, information should have been included in the Blueprint as to how the remaining agencies would be compensated for their sewage flows (and, potentially, sewage rights).
- The purported expansion of recycled water service from the Coastal Treatment Plant under the proposed operation by SMWD or MNWD is not sufficiently explained in the Blueprint.
- It is not clear why SOCWA would hold the master Recycled Water use permit, when under the Blueprint proposal SMWD and MNWD would respectively own and operate the treatment plants.

- **FINANCE:**

- The existing cost allocation structure at SOCWA does not disincentivize peak flows on each treatment plant and the Blueprint does not address this important issue. Peak flows directly increase infrastructure needs, increase operational costs, and add significant risk to the other participating agencies for the respective treatment plant.
  - Peak flows include sewer Infiltration & Inflow (I&I) from the sewers that each member agency is responsible for (flowing to a treatment plant). Reduction for I&I needs to be “incentivized” via a proper cost allocation structure for treatment. The Proposal does not account for this.
- No backup data or calculations are provided as attachments to the Blueprint proposal to support the proposed budgets and justify the assured savings (pages 22 through 24 of the Blueprint proposal).



- It is not clear in the Blueprint how the costs will be reduced for the ocean outfalls, the pretreatment program, and the water reclamation permits. These functions are provided by SOCWA under both scenarios.
  - The Blueprint does not provide assurances that SMWD's and MNWD's "absorbed expenses" will not be transitioned back to the other member agencies over time.
  - It is not stated in the Blueprint if SOCWA employees that are transferring to SMWD or MNWD will be terminated when/if the need comes for SMWD and MNWD to maximize efficiencies and reduce costs.
  - It is unclear if benefit structures and planned salary increases for SMWD and MNWD, respectively, are considered in the Blueprint proposal when compared with SOCWA labor and burden rate forecasts.
- **RISK & LIABILITY:**
    - If the treatment plants and associated physical infrastructure are owned by SMWD and MNWD under the proposal, why wouldn't these agencies have complete responsibility for liability and property claims? More clarity is needed on why the liability is proposed under the Blueprint to be shared.
    - Although the PERS Unfunded Accrued Liability (UAL) for the transferred employees is held at \$1.8 million, would prospective PERS Annual Required Contribution (ARC) employee expenses be greater under MNWD's and/or SMWD's operations given the higher PERS benefit structures as compared to SOCWA?
    - Page 28 of the Blueprint proposal states that for property or liability claims, the responsible agency (i.e., SMWD or MNWD) would assume full responsibility for claims or fines if determined to be operator error or negligence. What happens, for example, if a retail water agency were to send a significant peak flow of sewage (e.g., high discharge from an upstream treatment plant, a high Inflow and Infiltration (I&I) incident, etc.) and cause an overflow condition? Who would be liable? This was not addressed in the Blueprint proposal.
- **GOVERNANCE:**
    - The agencies on the Administrative Committee have an equal vote, but only a majority vote is required on the budget. This appears to diminish the representation of the remaining members with capacity rights in each plant.
    - Would a separate budget be presented and voted on for each plant and land outfalls?
    - The Blueprint proposal only allows for a change of operator with a 2/3 vote of the participating member agencies and minimum 50% capacity rights for the facility. This is a significant change and does not appear to be equitable or appropriate.

- The ownership of the treatment plants by SMWD and MNWD presents challenges on several different levels. One example is if the operator were to be changed in the future (from MNWD or SMWD). What would happen to the ownership of the facilities? Would these remain assets of SMWD and MNWD, or is there a “transfer” provision assumed in the agreement?



January 23, 2023

Board of Directors  
South Orange County Wastewater Authority (SOCWA)  
34156 Del Obispo Street  
Dana Point, CA 92629

**Subject: South OC Wastewater Optimization Blueprint: A Plan for South Orange County's Present and Future Needs**

Dear South Orange County Wastewater Authority (SOCWA) Member Agencies:

We are excited to share this **South OC Wastewater Optimization Blueprint** to optimize service delivery, streamline operations, and implement a long-term vision for safe, reliable, and efficient wastewater treatment in South Orange County for generations to come.

We recognize changing something that has been in place for many decades takes courage and vision. Just as those before us who boldly created this Joint Powers Authority, we look for this Board to being receptive to this new approach to meeting the challenges of today. We believe that this **South OC Wastewater Optimization Blueprint** lays out a path that addresses both the current regional needs, while aligning us all for important strategic opportunities in the future.

#### **Solutions for Today & Tomorrow**

To resolve expiring Operating Agreements, the **South OC Wastewater Optimization Blueprint** includes a timely and efficient transition of the operation and maintenance of SOCWA's wastewater treatment facilities in the following manner:

- 1) All member agencies retain desired capacity rights, under new project agreements.
- 2) SOCWA maintains all necessary permits, provides regulatory reporting and compliance, and administers the regional pre-treatment program.
- 3) Santa Margarita operates the J.B. Latham Treatment Plant.
- 4) Moulton Niguel operates the Joint Regional Treatment Plant & Effluent Transmission Main.
- 5) Santa Margarita or Moulton Niguel serve as contract operator at the Coastal Treatment Plant.

#### **Significant Benefits to South Orange County**

The **South OC Wastewater Optimization Blueprint** will better meet the needs of our communities by optimizing operations in a cost-effective and efficient manner – while at the same time creating new opportunities to address our region's current and future water demands.

- **Resolves June 29<sup>th</sup> Deadline for J.B. Latham Wastewater Treatment Plant:** SOCWA's operating agreements will begin to expire on June 29, 2023, with the expiration of the J.B. Latham Wastewater Treatment Plant Agreement.
- **Proven Operational Experience:** Both agencies have the resources to develop and implement complex capital improvement projects and are experienced in operating wastewater and advanced water treatment facilities.
- **Safe & Reliable Continuity of Service:** 100% of all represented SOCWA employees will be offered positions within the operating agencies.
- **Creates Potential Opportunities for Expanded Water Recycling and Reuse:** Effective water reuse requires seamless integration and constant monitoring of each water, wastewater, and recycled system – best delivered by a local water agency.

**Aligning Resources Today for South Orange County's Future**

South Orange County faces numerous challenges with historic drought conditions, severe reductions in drinking water supplies from the State Water Project and the Colorado River, rising inflation, and increasing imported water costs. This is happening while Californians are watching atmospheric river storms flood our parched landscape with billions of gallons of water, which tragically is flowing directly to the ocean.

SOCWA, which is built upon agreements dating back to the 1970s, could not have foreseen the technological advancements and opportunities that would make water reuse a viable and cost-effective option for wastewater disposal. Moreover, even if it had the technological capabilities to effectively implement water reuse, SOCWA, as an individual entity that does not provide water or recycled water service, lacks facilities necessary to integrate into the existing water supply infrastructure that serves the homes and businesses in South Orange County. Without some type of change, our region will miss the opportunity to recapture 17.8 million gallons a day of valuable water supplies that could be re-used from our wastewater treatment facilities. This represents nearly one-quarter of the amount of water our region imports.

On behalf of our Boards of Directors, we cordially invite our fellow SOCWA member agencies to join us in working collaboratively to address South Orange County's present and future wastewater needs.

Sincerely,



Frank Ury  
Board President  
Santa Margarita Water District



Duane D. Cave  
Board President  
Moulton Niguel Water District



# South OC Wastewater Optimization Blueprint

Submitted By:

Moulton Niguel Water District  
and  
Santa Margarita Water District

January 23, 2023



## Background

In the early 1970s, the Aliso Water Management Agency (“AWMA”) and the South-East Regional Reclamation Authority (“SERRA”) were formed to obtain Clean Water Act funding to construct wastewater treatment and conveyance infrastructure on behalf of its member agencies with the expressed purpose of developing reclamation opportunities. Since formation, AWMA and SERRA have served as owner, and at times, the operator of wastewater treatment facilities and ocean outfalls in South Orange County, specifically the J.B. Latham Treatment Plant (“JBLTP”), the Coastal Treatment Plant (“CTP”), the Joint Regional Treatment Plant (“JRTP”), the San Juan Creek Ocean Outfall (“SJCOO”), and the Aliso Creek Ocean Outfall (“ACOO”).

In 1994, the South Orange County Reclamation Authority (“SOCRA”) was formed as a regional permitting agency to obtain a waste discharge permit from the San Diego Regional Water Quality Control Board and coordinate recycled water permitting for the member agencies. In 2001, the South Orange County Wastewater Authority (“SOCWA”) was formed to combine AWMA and SERRA, along with SOCRA. The primary charge of SOCWA is the treatment and disposal of wastewater from its member agencies in compliance with the regulatory discharge permits.

Each facility, under SOCWA, has a governing agreement and subsequent amendments, collectively referred to as the Project Committee (“PC”) Agreements, which identify the member agencies involved, the capacity ownership, the term of the facility, among other terms and conditions that govern the operation. The member agencies with capacity rights in a facility are often referred to as “Participating Member Agencies”. As the Joint Powers Authority, SOCWA facilitates the execution of the Project Committee Agreements and, since the 1990s, has provided the operation of the facilities. Many of these facilities are reaching ~50 years of age, which also mirrors the expiration timeline for the PC Agreements. Expiration of the PC Agreements requires the Participating Member Agencies to consider and develop the next phase of facility use and operations.

As the SOCWA member agencies consider this evolving future of wastewater operations, it is critical to acknowledge the role that wastewater currently serves (and will continue to serve) as a resource for water supplies. No longer can sewage be considered as simply a waste product to be treated and disposed. It is imperative to look at options to further expand reuse into local water supplies. South Orange County agencies are evaluating and implementing programs to increase recycled water production, enhance treatment technologies to improve recycled water quality, incorporate urban runoff and first flush storm flows into the water supply, and develop indirect and direct potable reuse projects consistent with existing and emerging regulatory guidelines. Implementation of these programs integrates directly into the agencies’

management of water supply and quality to support the needs of the agencies' customers, also in compliance with regulatory requirements. As the water purveyors who are currently charged with delivering a reliable and high-quality water supply, it is incumbent upon the member agencies to assume full responsibility and complete accountability for the collection, conveyance, treatment, and development of alternative water sources for advanced wastewater treatment programs.

With this proposal, Moulton Niguel Water District ("MNWD") and Santa Margarita Water District ("SMWD") are presenting their preferred approach to governing, administering, and managing the facilities that are currently operated by SOCWA. Specifically, MNWD is proposing to assume responsibility for the operation of the JRTP and the Effluent Transmission Main ("ETM"). SMWD is proposing to assume responsibility for the operation of the JBLTP. Additionally, both MNWD and SMWD are offering to assume responsibility for the operation of the CTP. This proposal outlines an administrative approach, operating budgets, and proposed agreement terms, in addition to identifying the services to remain with SOCWA to support regional wastewater and reuse permitting functions on behalf of its member agencies. The proposal will present the reuse programs and activities that the operating agencies are considering, to reduce reliance on imported water, reduce ocean discharges of treated wastewater, and improve local creeks and beaches. Utilizing the memorandum prepared by the SOCWA Task Force, this proposal will address the various issues and questions required to understand and consider the implementation of this preferred approach.

## Scope of the Proposal

The primary goal of MNWD and SMWD is to enhance opportunities and improve operational efficiencies to support the development of advanced wastewater reuse programs with the integration into existing potable water and recycled water distribution systems, while providing administrative efficiencies and associated cost reductions. The approach involves transferring the ownership of the treatment plants and land outfall assets to the designated responsible agencies with the remaining Participating Member Agencies retaining capacity rights under updated Project Agreements, similar to the Joint Regional Water Supply System, the Baker Water Treatment Plant, and the Upper Chiquita Reservoir. As the regional permitting authority for the ocean outfalls, SOCWA would remain the responsible party for the San Juan Creek and Aliso Creek Ocean Outfalls.

The following table provides a summary of the facilities and the proposed responsible party.

Facility or Asset	Responsible Party (1)
J.B. Latham Treatment Plant	SMWD
Joint Regional Treatment Plant	MNWD
Coastal Treatment Plant	MNWD or SMWD (2)
San Juan Creek Ocean Outfall	MNWD or SMWD (3)
Aliso Creek Ocean Outfall	MNWD or SMWD (3)
Effluent Transmission Main	MNWD
San Clemente Land Outfall	City of San Clemente (4)
North Coast Interceptor	City of Laguna Beach (4)

- (1) All Participating Member Agencies would retain capacity rights as desired under updated project agreements.
- (2) MNWD and SMWD are proposing to operate the Coastal Treatment Plant as a contract operator on behalf of the Participating Member Agencies for a duration acceptable to and at the discretion of those agencies. It is understood that the PC-15 agencies may elect to select a different operator; regardless of the operator at the Coastal Treatment Plant, the other elements of this proposal remain valid.
- (3) SOCWA will retain the ownership of the ocean outfalls consistent with the regulatory permits that SOCWA holds on behalf of its member agencies. MNWD or SMWD will provide the engineering, operations, and administrative support for the operation and maintenance of these facilities in coordination with SOCWA.
- (4) SOCWA is currently the owner of these two land outfalls on behalf of the Cities of San Clemente and Laguna Beach. Both outfalls are currently operated by the responsible party, and the ownership of the pipelines could be transferred, if desired.



## 1. Operations and Maintenance (“O&M”) Approach

The proposed approach to current operation and maintenance is not expected to be substantially modified given the operational successes of the facilities. The benefits of the proposed operational adjustments will be realized through increased implementation of water reuse programs, enhanced operational integration within a larger pool of resources, and reduced costs through improved administrative efficiencies.

### 1.1. Permit Compliance

Currently, the operation and maintenance of the treatment plants is executed to meet compliance with the NPDES permit requirements as issued by the San Diego Regional Water Quality Control Board (“SDRWQCB”). Various other permits also provide specific requirements and recommended guidelines for the operation of the facilities, including, but not limited to:

#### *SDRWQCB 97-52 Recycled Water Permit:*

This permit governs the quality of the recycled water produced by the treatment plants, as well as providing guidelines for permitting use sites (such as irrigation customers). Both MNWD and SMWD are listed as Dischargers under the permit and are eligible to operate facilities governed by the permit.

#### *Department of Occupational Safety and Health Pressure Vessel Permits:*

These permits are issued for pressurized containers, such as air compressors or stationary propane tanks, which require inspection every five years.

#### *Orange County Health Care Agency (“OCHCA”) Hazardous Material and Waste:*

Facilities that use hazardous materials or petroleum products, operate an underground storage tank, or produce hazardous wastes are required to enter the type and quantities of materials into the CERS database, along with Emergency Response Plans and Spill Prevention and Control and Countermeasure Plans, if needed. The OCHCA inspects these facilities biannually to verify the information provided and storage protocols.

#### *Orange County Fire Authority (“OCFA”) Permits and Certificates of Occupancy:*

The Orange County Fire Authority requires inspection of facilities that house hazardous materials, similar to the OCHCA. The OCFA typically inspects facilities on a biannual basis.

#### *South Coast Air Quality Management District (“SCAQMD”) Permits to Operate:*

These permits govern air emissions from the treatment plants and related equipment including, but not limited to flares, boilers, odor scrubbers, and co-gen engines. Depending on the specifics of the permits, equipment may require periodic source testing and submittal of results to the SCAQMD.

*State Water Resources Control Board (“SWRCB”) Stormwater Pollution Prevention Plan (“SWPPP”):*

The SWRCB requires industrial facilities with exposure potential to maintain a SWPPP to control the quality of stormwater runoff from the facilities. This typically includes maintaining best management practices and/or sampling stormwater runoff during storm events to monitor quality.

*USEPA Biosolids Reporting:*

This information is part of NPDES permitting, however, the quantity and quality of biosolids are reported directly to the EPA each year. The number of samples collected and reported to the EPA is contingent upon the tonnage of biosolids produced by the facility.

*Other permits associated with surrounding jurisdictional agencies*

Operational compliance will continue to be met through required permit reporting to the regulatory agencies, including SOCWA, similar to the operation of the treatment plants currently operated by SOCWA and the other plants currently operated by other member agencies.

It is proposed that SOCWA will retain responsibility for the discharge permits and will continue to serve as the vehicle for collecting and reporting regulatory compliance activities. The additional responsibility of meeting the regulatory requirements will be borne by the operating entity. Both MNWD and SMWD already have established a significant track record with achieving regulatory compliance and the same proven procedures will be applied to the operation of the added treatment plants. This history of permit compliance was documented by an independent third party in the Orange County Local Agency Formation Commission San Juan Capistrano Municipal Services Review.

## 1.2. Operations and Maintenance Staffing Overview

Currently, SOCWA has a combined staff of 40 individuals that are dedicated to the operation and maintenance (“O&M”) of the three treatment plants and related pipelines (e.g., outfalls, etc.). This is what SOCWA considers to be their “Department 1” employees. MNWD and SMWD are proposing to offer positions to 39 of those 40 staff members to continue the successful operation of those facilities. The current staffing levels will be supplemented by the available resources of MNWD and SMWD and the opportunities for growth for those 39 employees will also be significantly enhanced. The only position supporting “Department 1” O&M that will not be offered a position is the Director of Operations, as both MNWD and SMWD have similar positions within their respective agencies. The following table provides a summary of proposed staffing assignments to support the treatment facilities:

<b>Position Category</b>	<b>No. of Employees</b>	<b>JBLTP (SMWD)</b>	<b>JRTP (MNWD)</b>	<b>CTP (MNWD or SMWD)</b>
Operators	18	7	6	5
Mechanics	13	4	5	4
Electrical & Instrumentation	5	2	2	1
Other	3	1 (a)	2 (a)	-
<b>TOTAL</b>	<b>39</b>	<b>14</b>	<b>15</b>	<b>10</b>

(a) Other includes Support Services Manager, O&M Inventory/Purchasing Specialist, and Truck Driver/Mechanic II

The proposed operating agencies also have resources to supplement the transitioned O&M staff. The resources consist of wastewater treatment plant operators, mechanics, and electrical and instrumentation staff. These additional staff have experience working within wastewater treatment plants, including advanced water treatment production facilities. The following table provides a summary of the additional O&M staff that will immediately be available to support the transitioned staff from SOCWA in operating the three facilities.

<b>Position</b>	<b>MNWD</b>	<b>SMWD</b>
Wastewater Treatment Operators (Grade III or higher)	6	12
Wastewater Treatment Operators (Grade II or lower) *	1	0
Mechanics	14	13
Electrical & Instrumentation	9	11
<b>TOTAL</b>	<b>30</b>	<b>36</b>

\*Both agencies strive to have all operators at Grade III and above to respond and troubleshoot issues independently and make operational changes in an expeditious manner.

Key staff from MNWD includes Jesus Garibay, Superintendent of Wastewater Operations, and Jessey Cordero, Senior Operations Engineer. Mr. Garibay is a Grade V operator with nearly 20 years' experience in the field of wastewater treatment. Mr. Garibay is experienced in nearly all areas of wastewater treatment. Prior to assuming his current role at MNWD, Mr. Garibay was the Assistant Superintendent of Treatment Plant Operations at Los Angeles County Sanitation District, overseeing multiple unique facilities over a large geographical area. Mr. Cordero is also a Grade V operator with nearly 10 years' experience in the field of wastewater treatment. In addition, Mr. Cordero possesses an Advanced Water Treatment Operator Grade IV certification. Mr. Cordero's studies include a BS in Biology, minor in Chemistry, as well as an MS in Civil

Engineering. Integrated wastewater treatment operations are overseen by Rod Woods, Director of Engineering, and David Larsen, Assistant Director of Engineering. Mr. Woods and Mr. Larsen are both registered engineers in the State of California and have about 25 years of experience in the water and wastewater industry, both in the private and public sectors.

Key staff from SMWD includes Mr. Ron Johnson, Treatment Manager, who has 29 years of experience, a degree in Chemical Engineering from MIT and is a Grade V Operator, heads both water and wastewater treatment facilities including the Lake Mission Viejo Advanced Water Treatment Plant. Mr. Khoa Nguyen, Lead Operator, with 17 years of experience, along with service in the United States Navy and is a Grade V Operator, manages day to day operations of SMWD's wastewater plants. The Treatment Division is overseen by Mr. Don Bunts, Deputy General Manager, who has over 40 years of experience in design, engineering and operations of water and wastewater facilities and supported by Ms. Tricia Butler, Chief Engineer who has over 35 years' experience in design, engineering and operations of water and wastewater facilities. Mr. Bunts and Ms. Butler are registered engineers in the State of California. In addition to engineering degrees, Ms. Butler has a master's degree in International Management from Thunderbird School of Global Management.

The facilities will be fully staffed from 7:00 am to 5:00 pm on Monday through Friday with reduced staffing on weekends and holidays. Standby personnel will be available to respond at all times to emergency situations and alarms at the facilities. Both agencies maintain responsive standby personnel including wastewater treatment operators, electrical and instrumentation staff, facility maintenance and mechanics, information technology, construction, wastewater collection, etc. In addition, both agencies maintain a comprehensive fleet of specialty vehicles and equipment such as vactor trucks, backhoes, dump trucks, portable bypass pumps, portable generators, etc. Both agencies actively participate in mutual aid programs with neighboring agencies to make their personnel and equipment available to others when needed.

The agencies will ensure that all staff are appropriately trained and certified to work at wastewater treatment facilities consistent with current responsibilities and duties. Staff are encouraged to expand on certifications, knowledge, and training to allow for career development and advancement, including automatic promotional opportunities.

In-house and on-call contracts are utilized to supplement the operation and maintenance staff, as needed and appropriate. Services that are currently utilized by MNWD and SMWD include, but are not limited to:

Services	In-house	On-call
Engineering	X	X
Construction Management and Inspection	X	X
Construction and major repairs	X	X
Geotechnical Services		X
Collection System Support Services	X	X
Laboratory testing services	X	X
SCADA Integration	X	X
Recycled water support services	X	X
FOG consulting services	X	X
Hauling and disposal of grit, screenings and biosolids	X	X
Source testing services		X
Condition assessment specialists		X

### 1.3. Wastewater Reuse Approach and Objective

Both MNWD and SMWD have extensive wastewater reuse programs that have been in place for more than four decades. Currently, both agencies’ governing bodies have adopted policy objectives or strategic plans to maximize wastewater reuse as a water reliability investment and good stewards of the environment. The integration of wastewater operations for the JRTP and the JBLTP will further the wastewater reuse opportunities for the South Orange County region. Additionally, there are opportunities to incorporate available wastewater from other regional facilities, such as the Coastal Treatment Plant, to further expand regional partnerships in advanced reuse programs and to share in the benefits throughout South Orange County.

Last year, more than 20,000 acre-feet of treated wastewater, which represents almost 25% of the water imported into South Orange County, was discharged through the ACOO and SJCOO from the SOCWA member agencies. This is a combination of treated secondary effluent and brine discharges from the various permitted facilities within the SOCWA service area. The wastewater reuse programs identified for the various facilities present an opportunity to reduce those discharges and reduce imported potable water by an equivalent amount, further enhancing the water reliability for the South Orange County region.

*J.B. Latham Treatment Plant*

The JBLTP is currently a secondary treatment facility for ocean discharge of effluent. Currently about 6,000 acre-feet of secondary effluent is disposed of through the SJCOO annually. This amount is anticipated to be reduced to 4,500 AF with expansion of the SMWD Oso Creek Water Reclamation Plant. Of that amount, SMWD anticipates approximately 3,000 AF will be available for its reuse and up to the full 4,500 AF with additional participation by participating members.

In three to five years, SMWD anticipates the construction of recycled water facilities at the plant to provide for irrigation demands in its service area, particularly in the City of San Juan Capistrano, for groundwater recharge in the San Juan Watershed and in the future, potential potable reuse. The proposed addition of facilities will be coordinated with South Coast Water District ("SCWD") and MNWD to determine their respective interest in participation including the potential to supplement proposed ocean desalination.

*Joint Regional Treatment Plant*

The JRTP currently provides approximately 6,000 acre-feet of tertiary treated wastewater for non-potable uses, i.e., irrigation and construction. There remains approximately 2,500 acre-feet of available wastewater that could be utilized to expand MNWD's reuse programs. Based on a recent recycled water optimization study, MNWD has identified approximately 500 acre-feet of available irrigation demands that could be met through an expansion of the recycled water system. In order to maximize the remaining available wastewater, MNWD is developing a pilot program for a direct potable reuse project that could be constructed at or adjacent to the JRTP in three to four years.

In addition to a direct potable reuse project, MNWD is partnering with the County of Orange to investigate the feasibility of diverting urban runoff flows and capturing first-flush storm flows from the Aliso Creek watershed to supplement the recycled water system. MNWD is also interested in collaborating with its regional partners to incorporate available wastewater from the CTP or the El Toro Water District Treatment Plant to supplement the recycled water system. Enhancing recycled water supplies from other available sources would allow for a larger direct potable reuse facility and create greater opportunities for regional partnerships in that program.

Other components that are being evaluated as a part of the overall wastewater reuse program at the JRTP are the existing Laguna Niguel Lake as a storage for storm flows and urban runoff and source for the recycled water system, a natural treatment system to improve water quality before diversion into the lake, and a community watershed



education center to support regional watershed initiatives for local schools and organizations.

#### *Coastal Treatment Plant*

The CTP currently provides approximately 1,100 acre-feet per year of recycled water to SCWD for non-potable uses. The advanced water treatment facility that produces recycled water for SCWD is operated by SOCWA. To supplement the recycled water system and improve water quality within that system, SCWD constructed the Aliso Creek Water Harvesting Facility. With these water reuse facilities in place, the CTP has available approximately an additional 1,900 acre-feet per year of wastewater from the City of Laguna Beach, Emerald Bay Services District, and SCWD that could be utilized for additional water reuse programs.

Both MNWD and SMWD believe there are opportunities to increase the recycled water production from the CTP that could supplement existing recycled water programs in the region. As noted above, supplementing recycled water flows with additional sources could allow for direct and indirect potable water reuse projects to be scaled larger to further increase regional water reliability and reduce imported water flows into the region through a cooperative partnership.

#### 1.4. Safety and Risk Management

In assuming responsibility for the operation of the wastewater treatment facilities, MNWD and SMWD will provide appropriate insurance coverage for workers compensation, property, and liability. MNWD utilizes Joint Powers Insurance Authority ("JPIA") as its insurance provider and SMWD utilizes California Sanitation Risk Management Authority ("CSRMA") as its insurance provider. Both agencies have been recognized by their insurance providers for their excellent safety and risk management performance. As operators of the identified facilities, and the entities responsible for the implementation of worker safety programs, MNWD and SMWD would assume full responsibility for any workers compensation claims at the respective facilities. Third-party claims for liability and property claims would be allocated amongst the Participating Member Agencies for each facility based on ownership unless it was determined to be an operator error or negligence, at which point MNWD and SMWD would assume full responsibility.

#### 1.5. Energy Consumption

Energy consumption is one of the most significant elements of an operations and maintenance budget. The first thing to ensure is that each facility is signed up for the most cost-effective rate structure with the appropriate utility. Since rate structures periodically change, it is important to have at least annual meetings with the utility provider to ensure that the current rate structure is still the most advantageous for the facilities. Another consideration would be

to ensure that electrical demands are continually optimized. This is particularly relevant on the liquids side of treatment since flows have significantly decreased over time. When feasible, implementing variable frequency drives on direct-driven motors can also result in significant electrical cost savings, pacing the air feed to match the daily varying of the liquid flows and strength of the wastewater. Although usually not as significant as the impact of installing high efficiency blowers or perhaps a smaller sized jockey blower to optimize aeration, secondary clarifier optimization is another area to explore for reduced energy consumption – specifically, reducing RAS pumping, WAS volume, and the overall hydraulic load. Another possible energy savings approach is to evaluate modifying or adding screening or primary filtration to reduce the oxygen demands required for downstream treatment processes. Finally, evaluating the cost effectiveness of utilizing facilities’ biogas for beneficial reuse can result in partial or complete energy neutrality.

A more progressive trend in the wastewater industry involves comprehensive and overall process optimization that is accomplished using technology that digitally clones an entire plant. The calibrated and automated models are connected to live data streams from the plant and configured to execute simulations to continuously emulate the physical plant. These models provide real-time decision support tools for operators and engineering staff to optimize processes from an efficiency and energy perspective. The basic feature of these models is the ability to compare measured and modeled data to develop an understanding of how the activated sludge process is impacted by changes to influent and operating conditions. Although machine learning is currently not a common practice in the United States for plant operations, we have worked with international partners very familiar with this approach and it can certainly be an effective tool for staff to use to evaluate and revise current operational practices.

Both MNWD and SMWD are experienced with the energy consumption practices described above. Regardless, the highest priority immediately following the proposed transition of operations will be to ensure operational reliability and redundancy of the facilities to maintain appropriate treatment in compliance with permit requirements and agency expectations.

#### 1.6. Emerging Technologies

The evaluation and implementation of emerging technologies creates opportunities to enhance system operations and efficiencies but requires the appropriate level of analysis to determine the effectiveness of a new technology. This requires agencies to have adequate staff resources available to stay current on the latest technology trends and case studies, follow-up with vendors, engage with the wastewater treatment community for potential collaboration opportunities, and develop pilot programs. One effective approach in tracking new technologies is through a professional organization that screens, vets, and summarizes new technologies for a group of public agencies that comprise the professional organization. For



example, MNWD has been a member of Isle’s Technology Approval Groups (TAG) for both the water and wastewater industries for the last 5+ years. By participating in a group of this type, agencies can hear the firsthand experiences of other public agencies that have researched or piloted emerging technologies of interest by reviewing printed materials and participating in quarterly meetings.

When something is of interest and shows promise, another technique employed by MNWD and SMWD is to pilot the new technology at a small scale to test its effectiveness. Emerging companies are often willing to pay for a portion of the pilot costs, hoping that the project will eventually go full scale. These also make great opportunities for grant applications. Both MNWD and SMWD work with grant consultants to monitor and help secure grants for qualifying projects. SMWD is currently working with vendors to construct a pilot project at the Chiquita Water Reclamation Plant to optimize secondary treatment and solids handling to substantially eliminate the need to truck biosolids off-site for disposal. SMWD previously piloted treatment technology at its Oso Creek Water Reclamation Plant to determine the optimum system for its ongoing reconstruction.

#### 1.7. Preventative Maintenance Planning and Execution

Preventative maintenance is a critical component of any well-functioning asset management program. These efforts are necessary to maximize the useful life of assets. Please see Section 2.3 for more on asset management. MNWD and SMWD utilize workorder tracking systems to drive their respective preventative maintenance programs. MNWD recently implemented NexGen as its new Computerized Maintenance Management Solution (“CMMS”) that integrates with its Geographic Information System (“GIS”) solution to allow for tracking of work orders and preventative and corrective maintenance activities for all assets. SMWD utilizes Mainstar as its CMMS for the management of its preventative maintenance program. Operational reports are available from respective CMMS systems to track the execution of work orders. The existing asset management programs that are employed at the three SOCWA facilities will continue to be used as the individual operating agencies implement their respective CMMS/asset management systems.

#### 1.8. Software Solutions Available to Support O&M

In addition to the CMMS and GIS solutions discussed above, other software solutions that will help to support the O&M functions for the treatment plants include:

- Supervisory Control and Data Acquisition System (“SCADA”)
  - Ignition
  - Pi (SCADA historian)
  - Factory Talk
  - Win 911

- HachWIMS
- Microsoft Suite
- AutoCad
- R Studio (data analytics software)

Similar to the Preventative and Maintenance programs, SMWD and MNWD will integrate the respective treatment plants into the SCADA software that they use throughout the remainder of their systems. Refer to Section 4 for more information regarding the SCADA approach.

#### 1.9. O&M Performance Metrics

Performance metrics are useful to track long-term trends associated with wastewater flows and loadings, permit compliance, quantity of water that is put to beneficial reuse, costs associated with treatment, and opportunities to enhance operational efficiencies. Some of the specific items that will be tracked include, but are not limited to:

- Average Influent Flow
- Average Recycled Water Produced
- Average Wet Tonnage of Biosolids Hauled
- Average Dryness of Biosolids Hauled
- Chemical \$ / MG of Treated Influent
- Power \$ / MG Treated
- Power kW\*h / MG Treated
- Annual number of permit violations
- Preventative work orders completed
- Corrective work orders completed
- Capital budgeting and spending
- Change order management

In addition, the wastewater treatment plant operators track their time associated with capital projects, plant rounds, SCADA monitoring, lab samples/analyses, general maintenance, alarm troubleshooting, reporting, and scheduling/coordinating. MNWD and SMWD will work with its partner agencies in each facility to identify other areas of operational and financial data trends that would be beneficial.

## 2. Engineering Approach

Collaboration is critical when developing and executing the Capital Improvement Programs (“CIP”) of any organization. MNWD and SMWD work collectively within their organizations to define the capital needs of a facility or asset (Operations), to determine the appropriate timing and approach for addressing those capital requirements (Engineering), to ensure adequate funding is available through long-range financial planning (Finance), and to communicate the impacts and successes to our local stakeholders (Communications and Outreach). Additionally,

for jointly owned facilities, MNWD and SMWD work with their partners to develop and ultimately present well thought out capital plans to ensure the goals for the facilities and agencies are being delivered. For these efforts to be successful, it is critical to maintain and update a 10-year projection of capital improvement projects. As part of an annual review, the 10-year capital program is refined based on:

- work that has been completed,
- feedback from operations and engineering staff for those projects that have previously been identified for completion,
- reprioritization of previously identified projects following additional investigations or condition assessments and,
- addition of any new projects that may have been determined over the course of the previous year.

Ultimately, an annual fiscal year budget is presented for approval for the upcoming capital year spending and funds are appropriated for the fiscal year and may be expended in compliance with the Board adopted purchasing policies. Capital projections for subsequent years provide a snapshot of the assets requiring replacement, refurbishment, or potentially a condition assessment to allow for appropriate financial planning.

### 2.1. Capital Planning

The development of the CIP is an on-going process. Assets that need replacement and refurbishment (“R&R”) are identified through a continuous process of inspections, assessments, and review of CMMS outputs. Annually, all projects are compiled into one budget document to provide a complete picture of projected CIP projects identified during that fiscal year. The proposed CIP budget document would identify the proposed projects with a brief description, summary of the anticipated project costs based on best available information, and the expected timing for implementing each project. Each Participating Member Agency would have the opportunity to review and comment on the proposed capital improvement program prior to approval.

The CIP prepared by SOCWA staff has undergone significant changes over the last several years. During the last 3-4 years, there have been four different individuals that have overseen the development of the CIP for the treatment plants. Regardless of the individual, the common theme has been that the CIP was developed considering traditional and conventional wastewater treatment only, with limited regard for future reuse objectives of the member agencies, or consideration of new processes and technologies that would enhance treatment and reuse objectives. The CIP primarily contains projects that are based on rehabilitating and replacing existing facilities in kind.

Upon assuming operation of the treatment plants and pipelines, the approach would be to initially utilize the SOCWA-developed CIP budgets for the first fiscal year. During that initial year, comprehensive 10-year capital improvement programs will be reviewed and updated for each of the facilities to ensure a reliable and resilient treatment operation to address aging infrastructure, wet weather flows, and power outages. Further, the CIP will consider input from the Participating Member Agencies to ensure alignment with agencies' goals and with consideration for the following:

- **JBLTP:**
  - Develop facilities to provide for wastewater reuse based on the goals of the Participating Member Agencies
- **JRTP:**
  - Enhance the primary and secondary treatment to provide reliable recycled water and support advanced wastewater treatment
  - Implement salinity management for Title 22 water
- **CTP:**
  - Work with the Participating Member Agencies to develop a 10-year capital improvement program based on the work prepared by Hazen & Sawyer
  - Consider opportunities for enhancing the reuse of secondary effluent
- **ETM:**
  - Consider pipe stabilization or protection projects adjacent to Aliso Creek
  - Perform an appropriate condition assessment to identify targeted preventative repair work
- **ACOO and SJCOO:**
  - Support SOCWA in updating the current capital improvement program

## 2.2. Unanticipated and Emergency Projects

The goal of a good asset management program is to minimize the potential for unanticipated and emergency projects and to mitigate the impacts of an emergency should it develop. However, it is impossible to eliminate unanticipated or emergency projects that could be the result of a natural disaster, operational wear and tear, or some other factor. Emergency projects require immediate action to ensure that operations continue or to mitigate a negative financial impact. These projects will be addressed by appropriate staff of either MNWD or SMWD and reported to the Participating Member Agencies at the earliest possible opportunity. Unanticipated projects are evaluated when they come up and prioritized against the current fiscal year CIP to ensure appropriate financial resources are available to manage the unanticipated project. Both MNWD and SMWD have available technical support teams and cash reserves to address any emergency situations that may arise to ensure that immediate actions required are implemented. Monthly or quarterly updates will be provided to the



Participating Member Agencies and although not typical, fiscal year budget amendments would be proposed if deemed absolutely necessary.

### 2.3. Asset Management

The goal of any asset management program is to maximize the useful life of all assets while ensuring a reliable and cost-effective operation. MNWD's and SMWD's approach to asset management was recently provided to SOCWA and its member agencies to comply with the requirements of the new NPDES permits. In summary, the horizontal asset (i.e., pipeline) approach varies substantially from the vertical asset (i.e., treatment plant) approach to managing assets. In general, and considering the relative age and condition of facilities, the most cost-effective approach for the treatment plants to ensure reliability includes a comprehensive assessment of all aspects of the facility, including sitework, structures, mechanical systems, electrical, and instrumentation, with all required improvements being addressed under a single project. Following completion, both MNWD and SMWD will rely heavily on their respective CMMS systems to maximize the useful lives of assets in the most cost-effective manner.

### 2.4. Capital Project Execution

Capital projects are defined and developed in a collaborative manner amongst operations, engineering, and finance staff at MNWD and SMWD. Ultimately, as noted above, all capital projects will be presented to the Participating Member Agencies for review and approval. Simple and straightforward projects within the treatment plants will be executed by District staff. Specialized and more complex projects will be designed in-house and/or by consultants and constructed by third party contractors utilizing either a traditional design-bid-build process or a progressive-design-build process (depending on the nature of the project). In addition to experienced staff, comprehensive and sophisticated contract documents are needed to protect agencies against unanticipated changes during construction. MNWD and SMWD have staff that are experienced in the successful development and execution of large capital projects (greater than \$20 million). These staff include engineers, construction managers, and inspectors.

### 2.5. Capital Program Staffing

SOCWA currently has three full-time positions identified to support the execution of its capital improvement program and to support the operations staff. All three positions will be offered positions with either MNWD or SMWD to support the execution of the capital improvement program. Additionally, MNWD currently employs ten registered civil engineers in the State of California and eight full-time employees dedicated to construction management and inspection functions. SMWD currently employs nine registered engineers and six construction management and inspection professionals. Both agencies also rely on senior operations staff to review plans and specifications, particularly electrical and mechanical. Depending on

workloads, as well as the size and complexity of a contemplated project, contract services may be utilized to perform construction management and inspection services. All third-party consultants will be managed closely by MNWD or SMWD staff. Other contract services that may be utilized include surveying, geotechnical, environmental services, specialized inspection such as coatings during construction, and commissioning.

#### 2.6. Software Solutions Available to Support the Capital Program

Software utilized to support capital engineering will include, but is not limited to:

- Microsoft Suite
- GIS system
- CMMS system
- SCADA
- AutoCAD
- Various construction management and scheduling software

### 3. Management and Administrative Support

The proposal includes full-scale management and administrative services to support high-level operations, maintenance, and engineering functionality of the facilities. Those services include finance and accounting, human resources, information technology, purchasing and procurement, and administrative support. Where appropriate and necessary, as directed by the Participating Member Agencies in the various facilities, the MNWD and SMWD proposal includes a full suite of administrative support including financial planning, grant procurement, and legislative support, as well as community outreach and communication.

#### 3.1. Finance Structure

Each facility would have its own account structure to appropriately and accurately account for costs associated with the operation and maintenance activities. For MNWD, the account structure is established through Business Units. This allows for budgets to be developed, costs to be allocated, and reporting to be generated specific to each business unit. With that structure, regular budget-to-actual reports can be generated for presentation to other partner agencies as requested, but at a minimum, during Participating Member Agency meetings. This is consistent with the financial structure used for other multi-partner facilities that MNWD manages, such as Plant 3A.

In 2019, SMWD implemented a new ERP system with multiple dimensions to be able to capture accurate reporting of costs for both operations and maintenance by facility and by project. SMWD's Enterprise Resource Planning (ERP) is currently utilized to track costs associated with jointly owned facilities. Similar to MNWD, regular budget-to-actual reports would be generated for review as requested, and at a minimum during Participating Member Agency meetings.



**3.2. Management and Administrative Staffing**

The following SOCWA staff will be offered positions with either MNWD or SMWD to support the administrative operations of the facilities:

- Accounting (3)
- Safety and Risk Management (1)
- Procurement and Contract (1)
- Human Resources (1)
- Information Technology (1)

The only positions supporting management and administrative services not proposed to be offered positions are the General Manager and the Finance Controller, as both MNWD and SMWD have similar positions within their respective agencies. In addition to the staff identified above, the following table shows the additional staff at MNWD and SMWD that will be immediately available to support the administration of the facilities.

<b>Function</b>	<b>MNWD</b>	<b>SMWD</b>
Accounting and Finance	11	13
Procurement and Contracts	3	2
Human Resources	3	3
Information Technology	6	5
Administrative Support, including outreach	7	7

The proposal is for the identified support staff to provide support for the operations of the facilities and also to be integrated into the various departments within MWND and SMWD to support the rest of the ongoing operations and activities. In addition, MWND and SMWD will continue the practice of shared purchasing where it currently exists for chemicals and solids disposal and will also look for other opportunities that could benefit the South Orange County region.

**3.3. Software Solutions Available to Support Administrative Functions**

The primary software solution to support the various administrative functions for MNWD is the Enterprise Resource Planning (ERP) software solution, JD Edwards. This supports the financial budgeting, accounting structure, purchasing, and human resources functions. For the tracking of contracts, utilizing macro functions in Excel has been more than sufficient to ensure that no exceedances and contract expirations occur. MNWD is currently implementing Planet Bids in select areas. For construction management functions, it has really depended on the size and

complexity of the project. For simple projects, Microsoft Suite with e-mail will often suffice. However, for more complex projects, both MNWD and SMWD have experience utilizing platforms such as Procore or Oracle products.

The primary software solution to support the various administrative functions for SMWD is the Enterprise Resource Planning (ERP) solution software, Tyler Munis, which was implemented in 2019. This supports the financial budgeting, accounting structure, purchasing, contracts, and human resources functions, similar to MNWD's ERP. SMWD uses Project Primavera for construction management along with other platforms mentioned above.

#### 4. SCADA Approach

MNWD has standardized on Ignition SCADA software. Since SOCWA does not use Ignition, the transition would be implemented similar to when MNWD assumed operations at Plant 3A. MNWD's SCADA Communications wireless network would be used for communicating with the treatment plants remotely. This network already has a connection to the JRTP; however, MNWD plans to add a secondary connection so that there would be redundancy for communication. MNWD is currently able to operate the JRTP Advanced Water Treatment facility from both Plant 3A and remotely. Since CTP is currently not connected to MNWD's SCADA Communications wireless network, the appropriate antenna(s) would be installed at CTP to connect with the existing network.

As far as the integration and translation process, MNWD would likely operate using the existing SCADA for a defined time period, while an Ignition-based SCADA system was built. At which point, the two operating SCADA systems will be compared to make sure the new system was reliable. This is the same process utilized at Plant 3A. Ignition is a full featured software, so it will be able to handle any integration or translation that is happening now.

SMWD has a full-service in-house SCADA team with the capability to build control centers, fully program and integrate facilities as well as establish a communication network. The District utilizes Factory Talk for its SCADA Software. With the recent integration of the City of San Juan Capistrano ("CSJC"), the District rebuilt the entire SCADA system as well as the backbone network for 40% of the cost the CSJC had received from a competitive proposal. SMWD will work closely with the SOCWA SCADA professional and the existing operators to review the existing system and the requirements for operations to develop a transition plan and install a new SCADA system that is integrated into the SMWD network. The SMWD system allows for complete remote operation of its facilities with 100% back-up. The operators at each of the existing treatment plants and the standby operators have access to data, alarms and control at all the plants.

Alarm response and communications would be handled in a manner consistent with current practices. Alarms are received by the entire team on a 24-7 basis and responded to as appropriate. Initial investigation is completed by the treatment plant operators, and, depending on the nature of the alarm, the operators may call in individuals from maintenance, electrical and instrumentation, or engineering as needed. Standby coverage is provided by all departments on a 24-7 basis and individuals are required to respond within 30 or 60 minutes, depending on the nature of the issue. Communications are maintained through telephone calls, texts, e-mails, and hand radios as appropriate.

## 5. Regulatory Compliance & Lab Services

SOCWA will continue to provide regulatory compliance and regional permitting services to its member agencies. As a part of these services, SOCWA staff will continue to support its members through industry organizations, advocates and regulators. Lab services in support of the treatment plants will either be provided by the laboratory at the JRTP or at the SMWD Chiquita Water Reclamation Plant (“CWRP”) and supplemented with third-party contract laboratory services as required.

SOCWA will retain the employment of necessary staffing to support regional permitting and regulatory compliance services under the existing Joint Powers Agreement. It is anticipated that three staff members will be required to support those functions:

- Environmental Compliance (1)
- Source Control (1)
- Administrative Support (1)

Additionally, SOCWA may continue to contract for outside support and research services through consultants, universities and member agencies.

### 5.1. NPDES Discharge Requirements

SOCWA holds the NPDES Discharge permits for both the SJCOO and the ACOO. Each of those permits contains the discharge requirements for the various treatment facilities that discharge to the outfalls. SOCWA will retain compliance oversight of the discharge permits, including supporting its member agencies, as necessary.

SOCWA will continue to contract the appropriate ocean monitoring and testing as required per the discharge permits and regulatory compliance. Compliance reporting for the individual treatment plants will be accomplished in a manner consistent with the current reporting protocols for the treatment plants that are not currently operated by SOCWA. MNWD or SMWD will provide the resources necessary to support the operation, maintenance, and



engineering services as required. No additional resources are anticipated to support the current compliance reporting protocols.

#### 5.2. Recycled Water Use Permit

SOCWA currently holds the recycled water use permit on behalf of some of its member agencies, specifically SMWD, MNWD, SCWD, and Trabuco Canyon Water District (“TCWD”). TCWD is currently considering obtaining its own recycled water use permit from the San Diego Regional Water Quality Control Board. SOCWA will retain the recycled water use permit and compliance oversight of that program consistent with the current program protocols. No additional resources are anticipated to support the current compliance reporting protocols.

#### 5.3. Air Quality Permits

For the operation of the treatment plants, MNWD and SMWD will be responsible for ensuring compliance with the applicable air quality permits in the operation of various equipment, e.g., flares, boilers, co-generation engines. Sampling protocols and source testing will be accomplished in a manner similar to the protocols at the treatment plants currently operated by MNWD or SMWD. Existing resources and programs are in place to accomplish the necessary sampling, testing, and reporting, and no additional resources are anticipated.

#### 5.4. Pretreatment/Industrial Dischargers and Diversions

SOCWA will continue to administer the pre-treatment and industrial waste discharge program in support of its member agencies. The administration of the program will be consistent with protocols currently in place. SOCWA will continue to provide the necessary staffing to administer the program.

#### 5.5. Lab Services

SOCWA currently employs seven (7) individuals to provide laboratory services for the three treatment plants that SOCWA currently operates. The existing laboratory staff currently employed by SOCWA will be offered positions at MNWD to provide lab services primarily for the JRTP and Plant 3A. Lab services for the JBLTP will be provided by SMWD’s laboratory at the CWRP. Lab services for the CTP will be provided by the laboratories at the JRTP with backup from the lab at the CWRP. Reporting will be provided in a manner consistent with the current reporting protocols in place for the treatment plants that are not currently operated by SOCWA.

## 6. Budgeting and Finance

Both MNWD and SMWD possess a strong financial position with high credit ratings, sufficient reserves, and available debt capacity that will allow both agencies to support the needs of the existing treatment facilities while also providing the ability to advance the capital improvements and reuse programs necessary for the South Orange County region. Appropriate budgeting and financial forecasting help to ensure the financial stability of MNWD and SMWD while providing adequate funding to provide a high-level of service. This approach will help to provide predictability for our partners and simplify the budgeting and invoice process as well.

Both agencies currently support jointly owned facilities and provide budgeting and financial reporting services including the Upper Chiquita Reservoir, the South County Pipeline, San Juan Basin Authority, Fenner Valley Water Authority, Plant 3A, Eastern Transmission Main, and Upper Oso Reservoir.

### 6.1. Proposed Budget for Wastewater Treatment Operation

MNWD and SMWD have developed the draft budgets below based on projections building from SOCWA's current FY budget. Going forward, MNWD and SMWD will develop a budget in collaboration with the Participating Member Agencies for each of the facilities. The primary anticipated savings are through economy of scale in the administration, information technology, engineering services and financial support through two agencies with significantly more resources to provide in each of these areas and resulting reductions from SOCWA's costs.

The following table shows the current FY 2022-23 SOCWA budget for each facility and the additional services (Recycled Water Program and Pre-Treatment Program), as well as the proposed budget based on the change of responsible agency as identified in this proposal.

Facility	SOCWA FY 2022-23 Budget	Proposed O&M Budget
J.B. Latham Treatment Plant	\$7,386,475	\$6,127,177
Joint Regional Treatment Plant	\$8,810,840	\$7,798,995
Coastal Treatment Plant	\$3,263,109	\$3,067,966
Effluent Transmission Main	\$25,371	\$19,814
San Juan Creek Ocean Outfall	\$829,030	\$799,966
Aliso Creek Ocean Outfall	\$818,301	\$781,561
Pretreatment Program	\$285,853	\$264,050
Water Reclamation Permits	\$402,769	\$274,375
Unfunded Liabilities (1)	\$1,849,069	\$1,849,069
<b>Total (2)</b>	<b>\$23,670,816</b>	<b>\$20,982,974</b>

(1) Unfunded liabilities are tracked as a separate expense at SOCWA. The methodology for addressing this expense is defined further below.

(2) Totals may not foot due to rounding.

The table above includes the allocated administration, management, and engineering costs for each facility based on SOCWA’s adopted budget and the proposed budget. A breakdown of the budget for each of the treatment plants is provided in the table below. The proposed budgets are broken down into the major cost categories.

<b>Cost Category</b>	<b>JBLTP</b>	<b>JRTP</b>	<b>CTP</b>
Salaries & Benefits	\$2,345,503	\$2,824,271	\$1,736,365
Repairs & Maintenance	\$1,211,504	\$1,521,850	\$577,145
Utilities	\$760,976	\$658,101	\$244,331
Biosolids	\$685,125	\$905,380	\$23,345
Lab Services	\$40,600	\$48,103	\$34,510
Chemicals	\$554,190	\$1,245,405	\$210,105
Administration (1)	\$373,959	\$475,995	\$187,247
Other (2)	\$155,321	\$119,890	\$54,918
<b>Total (3)</b>	<b>\$6,127,177</b>	<b>\$7,798,995</b>	<b>\$3,067,966</b>

(1) Administration is based on a 6.5% administration rate of the O&M expenses for the facility.

(2) Other includes various miscellaneous expenses, including certifications, training, conferences, etc.

(3) Totals may not foot due to rounding.

Using the current split of the SOCWA FY 2022-23 budget, MNWD and SMWD have identified the allocation of expenses and anticipated savings for each of SOCWA’s member agencies. The allocation of the proposed budget is subject to adjustment based on discussions with the SOCWA member agencies and development of updated Project Agreements. Table 6-1 shows the allocation to each member agency and the anticipated annual O&M savings. The table includes a value for the assumed expenses by MNWD and SMWD that are not allocated to the member agencies. These expenses are related to the proposed staffing positions that will be offered to existing SOCWA staff that will support the operation of the treatment plants, as well as other functions and services within MNWD and SMWD.



**Table 6.1 - Allocation of Expenses and Anticipated Savings by Member Agencies**

Facility Name	City of Laguna Beach	City of San Clemente	El Toro Water District	Emerald Bay Service District	Irvine Ranch Water District	Moulton Niguel Water District	Santa Margarita Water District	South Coast Water District	Trabuco Canyon Water District	Total (1)
JBLTP						\$1,271,870	\$3,558,273	\$1,297,034		\$6,127,177
JRTP	\$482,972		\$635,480	\$28,758		\$6,280,566		\$371,219		\$7,798,995
CTP	\$1,238,583			\$87,418		\$227,760		\$1,514,205		\$3,067,966
ETM			\$7,690		\$8,941	\$3,183				\$19,814
SJCOO		\$145,130				\$120,836	\$435,832	\$98,168		\$799,966
ACOO	\$83,733		\$126,150	\$8,491	\$141,774	\$328,274		\$93,139		\$781,561
Pretreatment	\$10,225	\$46,191	\$8,430	\$9,495	\$34,946	\$39,446	\$72,644	\$42,673		\$264,050
Water Reclamation						\$80,113	\$116,762	\$35,826	\$41,674	\$274,375
Unfunded Liabilities	\$197,968	\$12,629	\$64,254	\$8,608	\$14,025	\$823,690	\$380,395	\$347,148	\$353	\$1,849,070
Assumed Expenses						\$1,087,469	\$688,701			\$1,776,170
<b>Proposed Budget</b>	<b>\$2,013,481</b>	<b>\$203,950</b>	<b>\$842,004</b>	<b>\$142,770</b>	<b>\$199,686</b>	<b>\$10,263,207</b>	<b>\$5,252,607</b>	<b>\$3,799,412</b>	<b>\$42,027</b>	<b>\$22,759,144</b>
<b>Current SOCWA Budget</b>	<b>\$2,159,704</b>	<b>\$213,038</b>	<b>\$933,235</b>	<b>\$153,244</b>	<b>\$211,743</b>	<b>\$10,327,930</b>	<b>\$5,371,699</b>	<b>\$4,238,696</b>	<b>\$61,528</b>	<b>\$23,670,817</b>
<b>Anticipated Savings</b>	<b>\$146,223</b>	<b>\$9,088</b>	<b>\$91,231</b>	<b>\$10,474</b>	<b>\$12,057</b>	<b>\$64,723</b>	<b>\$119,092</b>	<b>\$439,284</b>	<b>\$19,501</b>	<b>\$911,673</b>

(1) - Totals may not foot due to rounding

### 6.2. Five Year Forecast of Costs

There are two categories of expenses that will influence the five-year forecast of future expenses associated with the operation of the treatment plants. The projection of salaries and associated benefits is stable and predictable, however the labor hours anticipated will vary based on facility maintenance needs. Consumables at the treatment plants, such as electricity, chemicals, and biosolids costs will vary based on purchasing contracts and established utility rates. The five-year forecast is not expected to vary substantially from the historical increases experienced at SOCWA. As noted above, budgets will be developed annually in conjunction with the Participating Member Agencies for review and approval.

In Section 2, a summary of the capital engineering and budget approach was provided. The 10-year capital forecast of expenses will be reviewed during the first year of facility operations and updated in collaboration with the Participating Member Agencies based on their needs and goals. With the expected capital investments currently planned and those that are also anticipated to support future wastewater reuse goals, appropriate financial forecasting and planning is necessary to support those investments. Both MNWD and SMWD are highly rated agencies by Fitch and S&P Global, providing an opportunity to smooth out sizable capital needs over decades through debt financing should agencies be interested in options beyond PAYGO. MNWD and SMWD have the necessary financial expertise, can meet the reserve requirements, and have available debt capacity to support financing programs for needed capital investments including low-interest loans or bonds.

### 6.3. Agency Historical Budgeting and Transparency

For the past three years, MNWD and SMWD have met the budgets approved by their respective Boards of Directors while maintaining a high level of service and strong financial position. MNWD maintains a 10-year financial forecast to help provide consistency in its expense and revenue projections for its customers and partners. Those projections are updated annually to address any changing conditions, such as increased imported water and utility costs.

Both SMWD and MNWD publish annual budgets for their service areas. Each agency has numerous financial transparency accolades from the Government Financial Officers Association. As previously noted, budgets will be prepared and presented for each of the facilities to the Participating Member Agencies for review and approval. Invoices will be based on actual expenses and reporting will be made available to show expenses compared to budgets. Finally, annual audits will be developed to provide an independent review of financial activity. At year end, MNWD and SMWD will work with its partners to provide necessary financial data and reporting to appropriately account for their capacity rights in the various facilities. Both MNWD and SMWD operate and maintain jointly owned assets on behalf of

different partners and have experience supporting the budgeting, invoicing, and accounting for jointly owned assets in a multi-party capacity, such as those considered with this proposal.

**6.4. CalPERS Pension & Other Post-Employment Benefits Liabilities**

The SOCWA Fiscal Year 2022-23 budget is \$1.8 million for its unfunded pension and Other Post-Employment Benefits (“OPEB”) liabilities. SOCWA has adopted a methodology for allocating these unfunded liabilities to its member agencies. This methodology was based on the allocation of labor across the various facilities and services and has been used in the most recent budgets to allocate expenses for SOCWA’s annual Unfunded Accrued Liability (“UAL”) payment to CalPERS and the normal costs associated with its retiree medical program (OPEB). With the implementation of this proposal, the growth of those liabilities is expected to significantly be reduced. MNWD and SMWD are proposing to lock in that allocation for on-going liabilities associated with unfunded pension and OPEB expenses. As SOCWA will remain as a regional Joint Powers Authority, it will continue to be invoiced by CalPERS for UAL and OPEB expenses and annually can allocate those expenses to agencies based on the table below, which is the calculated allocation of expenses by SOCWA.

<b>Agency Name</b>	<b>Allocation of Unfunded Liabilities (%)</b>	<b>FY 2022-23 Budget (\$)</b>
City of Laguna Beach	10.71%	\$197,968
City of San Clemente	0.68%	\$12,629
El Toro Water District	3.47%	\$64,254
Emerald Bay Service District	0.47%	\$8,608
Irvine Ranch Water District	0.76%	\$14,025
Moulton Niguel Water District	44.55%	\$823,690
Santa Margarita Water District	20.57%	\$380,395
South Coast Water District	18.77%	\$347,148
Trabuco Canyon Water District	0.02%	\$353

**7. Governance**

Each facility or asset operated by MNWD or SMWD on behalf of the Participating Member Agencies will have a separate project agreement to define the relationship between the parties and the terms and conditions for that facility and associated operation. With the expiration of the current Project Committee Agreements, new agreements are required regardless of the proposal. The SOCWA Joint Powers of Authority (“JPA”) Agreement would remain to govern the on-going regional permitting, regulatory compliance, and regulatory and legislative advocacy in support of the region, however, the JPA Agreement is proposed to be updated.



The project agreements for each of the facilities will be developed and managed similar to the Baker Water Treatment Plant Agreement operated by the Irvine Ranch Water District or the Joint Regional Water Supply System Agreement operated by SCWD. A collaborative effort will be undertaken to develop the proposed agreements for each of the facilities by the Participating Member Agencies. Some of the proposed elements of the agreements include, but are not limited to, the following:

- **Capacity Rights:** The capacity rights of each Participating Member Agency would remain as is currently defined.
- **Governance:**
  - An Administrative Committee would be formed consisting of a representative of each Participating Member Agency.
  - Each agency would have an equal vote.
  - Meetings would be held quarterly or as needed to review facility operations, financial reports, construction progress, and capital planning.
- **Budget:**
  - A budget for the upcoming fiscal year would be presented annually to the Administrative Committee for review, comment, and approval.
  - The budget will include the anticipated expenses to operate and maintain the facilities, the proposed capital improvements, and an updated projection for the 10-year capital program.
  - Administration expenses to support the operation of the facilities will be charged as a fixed 6.5% rate of total O&M expenses.
  - Approval of the budget requires a majority vote of the Participating Member Agencies; schedule will include time for Participating Member Agencies to review with their governing board as desired.
  - Expenditure of funds within the approved O&M budget will be carried out in compliance with the purchasing policy for the responsible agency.
- **Capital Project Approval:**
  - Capital projects will be presented to the Administrative Committee for review, comment, and approval.
  - Contracts will be awarded by the Board of Directors for the responsible agency following presentation to the Administrative Committee and will be subject to the provisions of the purchasing policy for the responsible agency.
- **Designated Operator:**
  - The responsible agency identified in the proposal will assume operational responsibility for the facilities.
  - The Participating Member Agencies may change the designated operator with the following voting thresholds:
    - A 2/3 vote of the Participating Member Agencies, and;

- A minimum of 50% of the capacity rights for the facility.
- **Liabilities:**
  - Responsible agency would provide insurance coverage for the facilities. The cost of coverage is included in the administration fee.
  - Insurance will include property, liability, and workers compensation. The responsible agency would propose the levels of coverage for review by the Participating Member Agencies.
  - The responsible agency would assume full responsibility for any workers' compensation claims at the facility.
  - For property or liability claims:
    - The responsible agency would assume full responsibility for claims or fines if determined to be operator error or negligence.
    - The Participating Member Agencies would be responsible for claims or fines under normal course of business and would be allocated based on capacity ownership.

Additional terms and conditions may be incorporated into draft agreements as necessary and appropriate. The summary above is intended to provide a high-level overview of some key terms. MNWD and SMWD welcome the opportunity to work with our partners in developing, refining, expanding, or adjusting provisions to achieve the successful execution and implementation of new project facility agreements.

## Next Steps

MNWD and SMWD are proposing to work with its partner agencies to execute the concepts and framework contained within this proposal. To do so, the next steps necessary to implement these provisions include, but are not limited to:

- Develop the necessary project agreements. MNWD and SMWD would propose to meet with the Participating Member Agencies and work with corresponding legal counsel to develop and finalize project agreements. A draft project agreement, similar to the Baker Water Treatment Plant, will be provided by MNWD and SMWD as a starting point for those discussions.
- Meet with the SOCWA employees and their representatives to discuss the process for transitioning staff to either MNWD or SMWD.

We anticipate there are additional steps necessary to advance these efforts forward, and we look forward to working with our partner agencies to identify and complete those steps. Additionally, we are happy to meet with the Participating Member Agencies to discuss any questions, concerns or considerations to facilitate moving the implementation of this proposal forward.



# FACILITATION OF ORGANIZATIONAL FEEDBACK ALTERNATIVE WASTEWATER DELIVERY



*Prepared for:*

SOUTH ORANGE COUNTY WASTEWATER AUTHORITY

*Prepared by:*



July 2022

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# 1. Introduction

The South Orange County Wastewater Authority (SOCWA) is a joint powers authority (JPA) formed on July 1, 2001, as the legal successor to three other JPAs: 1) the Aliso Water Management Agency (AWMA), which was originally formed on March 1, 1972; 2) the South East Regional Reclamation Authority (SERRA) originally formed on March 9, 1970 and; 3) the South Orange County Reclamation Authority (SOCRA); originally formed November 29, 1994. As stated in Section G of the SOCWA JPA Agreement, the consolidation of the three JPAs into SOCWA was done “...in the interests of furthering a regional approach to wastewater treatment and reclamation, and additional operational and administrative efficiencies....”

SOCWA holds two NPDES permits and a Waste Discharge Permit: 1) San Juan Creek Ocean Outfall (CA0107417/R9-2022-0005), 2) Aliso Creek Ocean Outfall (CA0107611/R9-2022-0006) and, 3) Regional Recycled Water Permit (97-52). The outfalls are authorized to dispose of discharges from three conventional wastewater treatment plants, seven reclamation plants, two desalter plants, two groundwater treatment plants, one runoff plant and one ocean desalination plant.

## 1.1. SOCWA Membership and Governance

SOCWA is comprised of nine member agencies including the City of Laguna Beach (CLB), the City of San Clemente (CSC), El Toro Water District (ETWD), Emerald Bay Service District (EBSB), Irvine Ranch Water District (IRWD), Moulton Niguel Water District (MNWD), Santa Margarita Water District (SMWD), South Coast Water District (SCWD), and Trabuco Canyon Water District (TCWD).

SOCWA has a Board of Directors to which each agency appoints one person to act as its director on the Board; each agency also appoints one alternate director and may appoint a second alternate director. There are three standing advisory committees that provide input to the Board: 1) Executive Committee, 2) Engineering Committee and 3) Finance Committee. There is also an Ad-Hoc “Task Force” that is examining a change to the existing organizational structure of SOCWA.

## 1.2. Project Committees

The SOCWA general governance structure is further subdivided into ten Project Committees (PCs). Each PC was formed to construct and/or manage specific facilities or activities. Member agencies, as participants in the PCs and capacity owners in the corresponding facilities, contribute their portion of funding revenues necessary for all personnel, facilities, and services necessary to operate, maintain,

plan, construct or rehabilitate the programs or purpose of each committee. The terms of the 2001 consolidation included the continuation of all PCs, PC agreements and left unchanged the rights duties and liabilities of the respective Member Agencies.

The Project Committee Agreements have varying terms; six of the project committee agreements are set to expire (see below) in the next eight years (shown in order of expiration):

*Table 1. Project Committee Agreements Expiring by 2030*

Project Committee	Expiration Date
2 (Latham Plant)	June 28, 2023
24 (Aliso Creek Ocean Outfall)	September 24, 2026
23 (North Coast Interceptor)	November 4, 2026
5 (San Juan Creek Ocean Outfall)	August 18, 2027
17 (Regional Treatment Plant)	December 11, 2029
15 (Coastal Treatment Plant)	February 19, 2030

In addition to the expiring agreements, several other significant issues have occurred or are occurring:

- 1) SMWD and the CSJC have completed a transfer of the City’s water and wastewater operations into SMWD; the City’s capacity ownership and rights, duties and responsibilities have been transferred to SMWD and CSJC has withdrawn from SOCWA, reducing the membership to nine agencies.
- 2) IRWD has proposed withdrawing from SOCWA and assigning their interests to ETWD.
- 3) SMWD and MNWD have proposed alternative delivery of wastewater treatment service
- 4) A restated Joint Powers Agreement is being discussed.



The following Background Section discusses how the Member Agencies have begun to address these issues and the purpose for this report.

## 2. Background

Commencing as early as 2013, SOCWA Member Agencies discussed changes to the organization and examining the services provided by SOCWA to assess if it was operating consistent with the intent of the consolidation. In 2016, concerns about budgets, weighted voting and other issues resulted in litigation that clarified some issues and left others unresolved. A 2017 Audit by the California State Auditor identified four areas that SOCWA needed to address:

- Improve practices to track available cash by Member Agency
- Determine responsibility for Unfunded Retirement Benefits
- Continue to remedy historical financial reporting issues
- Comply with the Public Records Act.

Additionally, the State Auditor found that SOCWA’s governance and voting structure is similar to that of other wastewater and water JPAs.

In early 2019, SOCWA Member Agencies met and began discussions on a restated Joint Powers Agreement. SOCWA General Counsel met with general counsel from the Member Agencies and identified areas of initial focus.

By September 2019, an Ad-Hoc Task Force focused their discussion on four categories:

1. **Exit/Change of Governance** – Should changes be made to the structure, service profile and governance of SOCWA?
2. **Alternative Delivery of Wastewater Treatment Services** – What would need to be analyzed to determine viability of another service provider?
3. **Alternative Delivery of Other SOCWA Services** – What services should be delivered by SOCWA or are there alternative service options?
4. **Re-Vision SOCWA with a future focus** – Should the current governance structure be retained or are there alternatives to update the structure?

One output from the meeting was further discussion of Item #2, Alternative Delivery of Wastewater Treatment Services; specifically, developing a summary of the elements that should be evaluated when

considering potential alternative service providers for wastewater treatment. By March 2020, recommended components of analysis for alternative delivery were presented to the Member Agency General Managers.

An August 11, 2020 RoundTable Meeting was held with the Member Agency Managers to discuss specific issues identified for the restated Joint Powers Agreement, and to discuss the next steps for the Task Force.

A RoundTable Meeting of the Member Agency Managers was held on October 8, 2020 to review further progress on the restated Joint Powers Agreement and to review a SOCWA staff prepared list of strategic and governance issues in response to Item #4, Re-Vision SOCWA with a future focus.

By November 2020, the Task Force produced a list of items that would need to be addressed if an agency desired to prepare a proposal to operate one or more of the treatment plants in lieu of SOCWA staff.

The Task Force subsequently presented potential operating/governance structures at a SOCWA Board Meeting in September 2021. In March 2022, an “All Hands” presentation was prepared by MNWD and SMWD which outlined a conceptual operational framework for restructuring SOCWA’s governance and operations that also included financial impact estimates. It should be noted that while Task Force Members SCWD and ETWD provided some comments on the MNWD/SMWD proposal, they were not involved in the financial impact analysis presented in that proposal.

The March 11, 2022 All-Hands Task Force presentation identified potential benefits and concerns, as well as cost savings for the member agencies, and recommended that feedback be solicited from the SOCWA member agencies. Based upon this presentation, the Task Force prepared an RFP and Scope of Work and solicited proposals from consultants to meet with member agency representatives to solicit feedback.

## 2.1. Consultant Retention and Scope of Work

Ohlund Management & Technical Services (OMTS) was retained to perform the interviews with the member agencies and was issued a Notice to Proceed on May 19, 2022.

The Scope of Work included four tasks:

1. Background Review/Meeting with Task Force
2. Meetings with Member Agencies and SOCWA Staff
3. Prepare Summary Report
4. Meet with Board of Directors

This summary report is submitted in accordance with Task 3.

## 2.2. Background Review/Meeting with Task Force

OMTS met with the Task Force on May 27, 2022, to review the scope and to obtain input on the parameters for the agency meetings. This task included review of historic documents and materials that was anticipated to occur prior to the meeting with the Task Force, however, because the accelerated timeline for the project, documentation review occurred after the meeting – during the month when interviews were conducted, as well as during preparation of this report. A list of documents reviewed is provided in Attachment A.

During the meeting with the Task Force, it was reported that discussion of several options, including voting changes, had been discussed over the past three years, however the alternative delivery presentation of March 11, 2022 was the option that the agencies were generally open to further exploring. The Task Force noted that changes had occurred with the SMWD/CSJC transfer, and that other changes may be imminent and that they wanted to get feedback on the proposal and better understand individual member agency perspectives and potential concerns – on the record.

A proposed agenda for the agency meetings, along with the specific questions that were to be the basis for the discussion with the agencies, was reviewed and approved by the Task Force. A copy of the agenda and questions is included as Attachment B.

## 2.3. Agency Meetings

Meetings with the nine entities were scheduled during the month of June through the first week of July. It must be noted that IRWD declined to be interviewed; as stated previously, they are seeking to transfer their interests to ETWD.



The meeting schedule and list of attendees is shown in Table 2.

*Table 2. Facilitated Meeting Schedule and Attendees  
(In alphabetical order)*

Agency	Meeting Date	Attending
CLB	June 29, 2022	Shohreh Dupuis – City Manager Ken Domer – Assistant City Manager David Shissler – Director of Water Quality Hanna Broida – Senior Project Manager Jeremy Jungreis – Special Counsel
CSC	June 22, 2022	David Rebensdorf, Utilities Director
EBSD	June 2, 2022	Mike Dunbar, General Manager
ETWD	June 20, 2022	Kathryn Freshley, President Mike Gaskins, Director Dennis Cafferty, General Manager
MNWD	June 21, 2022	Brian Probolsky, President Joone Lopez, General Manager Matt Collings, Assistant General Manager Rod Woods, Director of Engineering Trevor Agrelius, Controller
SCWD	June 20, 2022	Rick Erkeneff, President Scott Goldman, Director Rick Shintaku, General Manager Marc Serna, Chief Engineer/Assistant GM Pamela Arends-King, Chief Financial Officer/ Assistant GM
SMWD	June 7, 2022	Dan Ferons, General Manager Don Buntz, Assistant General Manager Erica Castillo, Chief Financial Officer
SOCWA Staff	June 22, 2022	Betty Burnett, General Manager Jim Burror, Director of Operations/Acting Engineering Manager Mary Carey, Finance Controller Amber Baylor, Director of Environmental Compliance David Baranowski, Senior Engineer
TCWD	July 6, 2022	Stephen Dopudja, Director

## 2.4. Facilitated Discussion Questions

The RFP included five specific questions that were to be posed to each agency; during the Task Force Meeting on May 27<sup>th</sup>, a sixth was added. The final list of questions is as follows:

1. What does your agency like or dislike about the proposed concept?
2. What concerns does your agency have and how can they be addressed?
3. What benefits does your agency see from the proposed change?
4. What risks does your agency see from the proposed change?
5. Do you have other organizational proposals to address the future needs of SOCWA and its member agencies?
6. Would you be open to ANY other operational proposal and/or governance structure

## 3. Agency Responses

### 3.1. City of Laguna Beach

Question	Responses
1. What does your agency like or dislike about the proposed concept?	<p>A. Ms. Dupuis stated that the proposal lacks the detail necessary to understand how the proposal has any benefit for the City. Ms. Dupuis noted that the lawsuit was a very painful and costly process for the City and this proposal doesn't address the outstanding issues identified in the judgment.</p> <p>B. Mr. Shissler indicated that after going through the lawsuit there is a lack of trust; receiving a proposal that lacks details makes it difficult to get past that.</p> <p>C. Mr. Jungreis questioned why there is discussion about the proposal when there is not enough information, i.e., when, how, why and supporting detail is missing.</p>



2. What concerns does your agency have and how can they be addressed?

- A. Ms. Dupuis stated that because of the lack of detail in the proposal the City can't make any decision regarding the proposal. Primary concerns include: no backup to substantiate the proposed savings, no detailed information regarding how the treatment plants would be operated and how costs would be allocated, and no discussion of how liability would be handled.
- B. Ms. Dupuis stated that the City is very concerned that there could be significant liabilities for the City that don't exist under the current structure.
- C. Ms. Dupuis stated the City doesn't understand how this will address the expiring PC 15 Agreement.
- D. Mr. Domer noted that the proposal doesn't include a term and that the existing project committee agreements had been in place for almost 50 years; any proposal should provide a framework for a similar horizon.
- E. Mr. Jungreis stated that there is continuing oversight by the Court after the CTP lawsuit settlement and this needs to be considered as this proposal or any proposal is discussed.
- F. Mr. Shissler expressed concerns about how regulatory agencies would view the proposal.
- G. Mr. Shissler noted that discussions about weighted votes had been held, but the one vote per agency and veto voting provisions are important to the City to retain; he noted that a ratepayer in Laguna Beach is as important as a ratepayer in any other agency and should have the same rights.
- H. Mr. Jungreis stated that the level of bureaucracy between the nine agencies and the number of meetings has the potential to place a considerable burden on City staff; there is no information in the proposal regarding how this will be reduced in the alternative structure.
- I. Mr. Jungreis noted that the need for failsafe disposal of sewage will be necessary into the future and that all agencies are tied together at the Outfalls; the presentation focuses primarily on the treatment plants and fails to address this.
- J. Ms. Broida expressed concerns that the agencies "don't know what they don't know" but are contemplating substantial changes to their organizational structure.



<p>3. What benefits does your agency see from the proposed change?</p>	<p>A. Mr. Domer indicated that the City was unable to determine benefits due to the lack of detail provided.</p>
<p>4. What risks does your agency see from the proposed change?</p>	<p>A. Mr. Shissler noted that in the past, when the Outfall experienced a leak, the City was the entity that was identified with it and whose reputation was impacted, not AWMA. The City has a high degree of concern for the ocean environment and desires that the operators of any of the facilities operate and maintain them to the highest degree – the City desires a structure that protects their ability to continue to have the voting power they currently have to set policy for this important function.</p> <p>B. Mr. Shissler noted that EPA, the State and Regional Board may encumber the agencies with new and additional requirements because of the change from third-party operations to operations by member agencies via contracts.</p> <p>C. Mr. Jungreis expressed his concern about the risks posed by emerging contaminants such as PFAS and the BKK CERCLA lawsuit, and how the proposal would address these liabilities for current members as well as those contaminants that can emerge years after an agency has “left.”</p> <p>D. Mr. Jungreis questioned the transfer of assets that were constructed with grant funding for regional facilities and whether this could trigger reconsideration by the funding agencies.</p> <p>E. Mr. Shissler noted his concerns that the City’s solids are treated at the Regional Plant and that they currently have substantial input into the budgeting, staffing, and disposal practices at the Regional Plant that they do not want to lose.</p> <p>F. Mr. Shissler questioned whether regional water reuse planning would be enhanced or reduced through this proposal.</p>



<p>5. Do you have other organizational proposals to address the future needs of SOCWA and its member agencies?</p>	<p>A. Mr. Jungreis stated that the City would like to see the status quo evaluated as an alternative to any suggested reorganizations to the existing structure.</p> <p>B. Mr. Jungreis, and others, noted that the AWMA structure could be considered as an alternative if SOCWA, in its current form is not to be maintained. However, some type of JPA structure will be required.</p>
<p>6. Would you be open to ANY other operational proposal and/or governance structure other than the current operational modality?</p>	<p>A. Mr. Domer indicated that the City would be open to alternatives as part of the development of a long-term Strategic Plan that addresses both governance structure and facility capital requirements.</p>

**Supplemental City Comments:** the City Council directed the City Manager to provide the following comments to OMTS and the Ad Hoc Task Force. The comments are being presented as submitted by the City:

1. That the City of Laguna Beach has significant issues and concerns with the current framework/proposal for the dissolution of SOCWA to include;
  - a. More detail is necessary before making any conclusions on the takeover proposal. The City must clearly understand what agency is operating and maintaining each treatment plant facility and each outfall facility.
  - b. The benefit of taking over the SOCWA facilities must be shown to result in less expense and less liability to the City. Provide a detailed cost analysis showing current performance/costs of WWTP 3A and other actively functioning wastewater treatment plants within south orange county. Provide detailed cost breakdowns of the proposed cost savings and provide cost savings guarantees.
  - c. More detail is necessary to understand how the handling of solid waste contracts will be addressed. Who will take them over? What control will the participating agencies maintain?
  - d. More detail is necessary for the City to understand how the disposition of the City’s water will occur after its first use. The City places a value on the water treated at the SOCWA run wastewater treatment plant and needs to ensure that its future ability to reuse that water is not compromised under any proposed reorganization. The City reserves the right on how

and where the water from the City is used after treatment.

2. That any resolution reached would need to be consistent with the Consent Judgment entered by the Riverside Superior Court and be fully protective of the City’s interests such that the City is not reliant for services on an agency that in the recent past has intentionally tried to harm the City’s interests by refusing to pay for its legal obligations at the Coastal Treatment Plant.

After the meeting with Lisa Ohlund and Marilyn Thoms, a letter was received from Orange County LAFCO. The letter, dated July 7, 2022, was sent to SOCWA and many of the SOCWA members informing us of the following:

*The Orange County Local Agency Formation Commission (OC LAFCO) is required to periodically conduct Municipal Service Reviews (MSRs) for all cities and special districts within Orange County. At this time, our staff, in conjunction with our consultant, RSG, Inc., is undertaking the MSR for the Southwest MSR region, which will include a comprehensive review that the following agencies will be included in the review:*

<b>(6) Cities:</b>	Aliso Viejo	Dana Point
	Laguna Beach	Laguna Hills
	Laguna Niguel	Laguna Woods
<b>(4) Water Districts:</b>	El Toro	Laguna Beach County
	Moulton Niguel	South Coast
<b>(3) Community Service Districts:</b>	Capistrano Bay	Emerald Bay
	Three Arch Bay	
<b>(1) Wastewater Authority:</b>	South Orange County	

Considering the forthcoming Municipal Service Reviews, we view this process as an opportunity for the SOCWA members to advance the opportunity to make progress in improving the JPA structure.

If you have questions regarding our responses to the interview, please contact David Shissler, Director of Water Quality, at (949) 497-0328 or Ken Domer, Assistant City Manager, at (949) 497-0704.

Cc:

Ken Domer, Assistant City Manager

David Shissler, Director of Water Quality

Jeremy Jungreis, City Attorney

Hannah Broida, Senior Project Manager



### 3.2. City of San Clemente

Question	Responses
<p>1. What does your agency like or dislike about the proposed concept?</p>	<ul style="list-style-type: none"> <li>A. Mr. Rebensdorf likes the proposed framework that separates out facilities and ultimately decreases San Clemente’s liability, although he desires more details as to how this would be accomplished.</li> <li>B. Mr. Rebensdorf likes that the proposal includes potential cost savings and that, particularly in the regulatory area, SOCWA would operate more like a “consultant.”</li> <li>C. Mr. Rebensdorf likes the potential for reduced number of meetings as it is difficult for him or his staff to attend all of the meetings.</li> <li>D. Mr. Rebensdorf does not like the potential for loss of control or capacity in the outfall.</li> <li>E. Mr. Rebensdorf feels that the Proposal is silent on how voting would change but does not want to lose control of outfall capacity or allocation of costs.</li> <li>F. Mr. Rebensdorf feels that the current Proposal has a lack of functional detail and that agencies need more information.</li> </ul>
<p>2. What concerns does your agency have and how can they be addressed?</p>	<ul style="list-style-type: none"> <li>A. Mr. Rebensdorf would like to ensure that the cost savings outlined in the proposal are substantiated, that costs wouldn’t be shifted, and he would like to see additional detailed information provided as to how the savings will be achieved.</li> <li>B. Mr. Rebensdorf is concerned with future outfall use and how the outfall will be used during high- and low-flow periods, particularly storm events and seasonal changes in discharges, and how regulatory requirements will be met. He noted that it is imperative that the agencies coordinate closely on future plans for the outfall.</li> <li>C. Mr. Rebensdorf is concerned that more information is needed regarding the transfer of assets to agencies and which agencies would own/operate the different assets.</li> </ul>



	<ul style="list-style-type: none"> <li>D. Mr. Rebensdorf is concerned that the regional purchasing contracts may not continue so would like to see that addressed moving forward.</li> <li>E. Mr. Rebensdorf is concerned that there still needs to be a functional agency similar to SOCWA in place if the assets are split off, but other services remain.</li> <li>F. Mr. Rebensdorf is concerned that the process is being rushed and that the current deadlines discussed should be extended. He noted that it will take a significant amount of time to develop a detailed proposal and then have it go through the review process in the City (i.e., City Attorney, City Manager, Council).</li> </ul>
<p>3. What benefits does your agency see from the proposed change?</p>	<ul style="list-style-type: none"> <li>A. Mr. Rebensdorf agrees that the assumption of liability by an operating agency would be a significant benefit.</li> <li>B. Mr. Rebensdorf considers the potential cost savings and reduction of staff time attending meetings as a significant benefit.</li> <li>C. Mr. Rebensdorf sees an opportunity for total water management coordination with the current proposal.</li> </ul>
<p>4. What risks does your agency see from the proposed change?</p>	<ul style="list-style-type: none"> <li>A. Mr. Rebensdorf anticipates that there could be a loss of control and/or capacity under the Proposal.</li> <li>B. Mr. Rebensdorf indicated that he is concerned that there could be decisions made by the operating agency of an asset without input from user agencies; this could be detrimental to San Clemente.</li> </ul>
<p>5. Do you have other organizational proposals to address the future needs of SOCWA and its member agencies?</p>	<ul style="list-style-type: none"> <li>A. Mr. Rebensdorf did not have any specific organizational proposals to share but would like to see the management of the outfall infrastructure addressed in any proposals considered.</li> </ul>

6. Would you be open to ANY other operational proposal and/or governance structure other than the current operational modality?

A. Mr. Rebensdorf is open to other organizational structures that would keep in place current protections including protecting voting rights and existing capacity levels while keeping costs down.



### 3.3. Emerald Bay Service District

Question	Responses
<p>1. What does your agency like or dislike about the proposed concept?</p>	<ul style="list-style-type: none"> <li>A. EBSD disagrees with the premise in the March 11 proposal that expiration of the Coastal Plant agreement means that change is inevitable with regards to the Coastal Plant Project Committee Agreement.</li> <li>B. Mr. Dunbar indicated that, generally, there were not enough specifics in the March 11 proposal for EBSD to provide an informed opinion.</li> <li>C. Mr. Dunbar is doubtful regarding the potential cost savings due to his experience with other consolidations he was involved with at South Coast Water District. He noted that cost savings are often offset by integration costs. He requested specific information on projected short-and long-term costs versus projected short- and long-term savings.</li> <li>D. Mr. Dunbar noted that, if the Regional Plant operations were to be transferred to MNWD, he is very concerned about EBSD’s inability to have input on planning and financial issues surrounding biosolids transmission, treatment, and disposal. He based his concerns on his inability to determine costs of treatment after reviewing the MNWD IIIA Treatment Plant budget.</li> <li>E. Mr. Dunbar stated that there is a lack of clarity in the proposal regarding voting rights. This issue is of significant concern as well as how solids capacity, planning and operations and maintenance issues will be handled in the future.</li> <li>F. Mr. Dunbar stated that there are lingering issues after the lawsuit, including a lack of trust with MNWD.</li> <li>G. Mr. Dunbar stated that it is EBSD’s position that the benefits desired by SMWD and MNWD don’t require operational changes and can be accomplished with the current operating structure.</li> </ul>



2. What concerns does your agency have and how can they be addressed?

- A. Mr. Dunbar stated that loss of the veto voting right is a significant concern of theirs. He noted that EBSD believes that this right is an important protection for all agencies, but particularly for smaller agencies. Mr. Dunbar stated that any transfer of operations must include continuance of current voting rights.
- B. Mr. Dunbar stated that EBSD supports having the existing third-party operational structure for SOCWA as the staff have provided liability protection under the Clean Water Act for the member agencies. With regards to overall liability, Mr. Dunbar said that this issue has not been adequately addressed and is poorly understood with regards to how it would affect the NPDES permit. He questioned whether an agency could self-police itself in the event of a violation as this would appear to be a conflict, especially given the multiple participants. EBSD suggests having both extensive legal and regulatory review once a detailed proposal is provided.
- C. Mr. Dunbar noted that he is concerned that the SOCWA agencies do not well understand the treatment plant performance records for the other agencies and whether there could be increased liability due to increased violations and/or additional costs for poor performance.
- D. Mr. Dunbar noted that SOCWA has been independently audited by the State Auditor as well as undergone a Performance Management Study by Carollo Engineers that included benchmarking comparisons to other regional wastewater agencies. EBSD would like to see the three agencies that have the potential to operate the SOCWA facilities undergo a similar performance review/audit to ensure due diligence is observed when presenting this significant operating change to the member agencies and regulatory agencies.
- E. Mr. Dunbar stated that EBSD is concerned about transparency and sensitivity towards coastal environmental issues. EBSD is confident in the existing staff's concern and culture towards these issues and that they balance inland and coastal concerns as well.

3. What benefits does your agency see from the proposed change?

- A. Mr. Dunbar agreed that the Facilitated Discussion will be helpful in providing the opportunity for agencies to state their concerns with the March 11 proposal.



4. What risks does your agency see from the proposed change?

A. Mr. Dunbar indicated the following concerns for EBSD:

- (i) Would potentially be giving up their veto vote.
- (ii) EBSD would potentially lose the ability to have input into solids treatment costs, planning and operations and maintenance under the proposal.
- (iii) EBSD could be gaining significant additional liability if the agencies that assume operations experience increased violations or if inherent self-policing conflicts give rise to additional legal conflicts between the member agencies
- (iv) Regulatory agencies could take a dim view of the proposal and reject it after significant effort and expense has gone into discussing and developing a proposal.
- (v) Key staff have already left and additional key staff may leave during this period of instability and expose the agency to overburdening remaining staff and serious other unintended consequences if they think they are going to lose their jobs or they will substantially change due to the proposed reorganization.
- (vi) Treatment costs could increase due to loss of economies of scale

5. Do you have other organizational proposals to address the future needs of SOCWA and its member agencies?

- A. Mr. Dunbar stated that there should be a proposal discussed for SOCWA to continue to provide these services, and that includes a plan to achieve the benefits cited by SMWD and MNWD under the March 11 proposal.
- B. Mr. Dunbar requested that the March 11 proposal examine how operating efficiency could be negatively impacted by the transfer proposal.
- C. Mr. Dunbar requested that any proposal examine the liability implications of changing from operations by a neutral third-party to operations by individual agencies with potentially conflicting goals.

	<p>D. Mr. Dunbar proposed that the SOCWA Agencies consider requiring elected officials, not Member Agency staff members, to sit on the Board.</p> <p>E. Mr. Dunbar proposed that a policy be adopted to limit member agency staff contacting SOCWA staff directly; rather, they should go through the SOCWA General Manager so that he/she is able to allocate their resources most efficiently.</p>
<p>6. Would you be open to ANY other operational proposal and/or governance structure other than the current operational modality?</p>	<p>Mr. Dunbar stated the following:</p> <ul style="list-style-type: none"><li>A. EBSD would entertain a proposal for MNWD to exit the Coastal Plant under acceptable financial and contractual terms.</li><li>B. EBSD will only entertain a proposal for MNWD to operate the Regional Plant under specific circumstances.</li><li>C. EBSD would be open to hearing proposals for other operating options.</li></ul>



### 3.4. El Toro Water District

Question	Responses
<p>1. What does your agency like or dislike about the proposed concept?</p>	<p>A. Mr. Cafferty stated that there is potential for cost savings as well as the potential for staff efficiencies. He likes that MNWD is willing to “guarantee” those savings.</p> <p>B. Director Freshley and Director Gaskins indicated that the lack of specifics in the proposal made it difficult to provide a comprehensive answer to the question.</p> <p>C. Director Gaskins noted that the current JPA is an outgrowth of evolutionary change that occurred in the 1990s and that the agencies were at an evolutionary stage again; he appreciates that this proposal is an attempt to move the discussion forward, but sees SOCWA as very dysfunctional and unable to reach agreement on any substantive issue.</p>
<p>2. What concerns does your agency have and how can they be addressed?</p>	<p>A. Director Gaskins is concerned that the real issue is that of personalities and that forward progress won’t be made until that is addressed.</p> <p>B. Director Freshley is concerned that the proposal address a reduction in reserve levels and that the complexity of the accounting system is similarly reduced. She noted that less reserves and more trust would create a less complex accounting system that could result in further cost savings.</p> <p>C. Director Freshley agreed that the JPA needs revision and that includes how to address the smaller agencies’ voting issues; Mr. Cafferty similarly noted that voting issues have been a concern amongst the SOCWA member agencies for some time.</p> <p>D. Director Gaskins stated his concern that the proposal doesn’t answer how the remaining SOCWA functions would be overseen, as it would be difficult for SOCWA permitting staff to be in a pseudo-regulatory position but be employed by one of the agencies they “regulate.”</p>



	<ul style="list-style-type: none"> <li>E. Mr. Cafferty stated that there have been discussions regarding how overhead costs will be divided between the agencies noting that, with the consolidation of SMWD and the City of San Juan Capistrano, as well as IRWD’s pending exit, there will be less agencies to absorb overhead costs.</li> <li>F. Mr. Cafferty indicated that he does not understand how the management structure for “New SOCWA” or “SOCWA Light” would function; he noted that there will still be administrative functions (budget, personnel, accounting) that will need to be performed, but like Director Gaskins, doesn’t understand how this would work.</li> <li>G. Mr. Cafferty noted that more details on how the proposed liability shift would occur are needed.</li> <li>H. Mr. Cafferty noted that an attempt was made in 2019 to resolve “low hanging fruit” aspects of the JPA Agreement, but that no progress was able to be made on the relatively easy elements, so he was doubtful that significant timely progress could be made on resolving substantive issues such as liability.</li> <li>I. Director Freshley is concerned that the proposal does not address regional water planning – including changing technology and regulations, ETWD options for solids handling and the associated impacts on the JPA system.</li> </ul>
<p>3. What benefits does your agency see from the proposed change?</p>	<p>A. Director Freshley stated that the biggest benefit she saw in the proposal was the cost savings.</p>
<p>4. What risks does your agency see from the proposed change?</p>	<ul style="list-style-type: none"> <li>A. Mr. Cafferty notes that there is a risk that the cost savings shown in the proposal could creep up after implementation and erode the savings, or that the cost savings were in effect for only a year or two.</li> <li>B. Mr. Cafferty noted that there is a risk that the liability issues can’t be adequately addressed under a JPA structure.</li> </ul>

<p>5. Do you have other organizational proposals to address the future needs of SOCWA and its member agencies?</p>	<p>A. The attendees reported that they have not identified an alternate proposal, however the ETWD Board would like to streamline the existing process. The Board has not taken a position on any organizational structure.</p>
<p>6. Would you be open to ANY other operational proposal and/or governance structure other than the current operational modality?</p>	<p>A. Yes.</p>



### 3.5. Moulton Niguel Water District

Question	Responses
<p>1. What does your agency like or dislike about the proposed concept?</p>	<ul style="list-style-type: none"> <li>A. Mr. Collings stated that MNWD is supportive of the proposal and interested in resuming operation of the Regional Treatment Plant. The ability to optimize their wastewater operations, from collection to disposal, as well as develop additional water supplies is very important to them.</li> <li>B. Mr. Collings indicated that the proposal offers the opportunity to focus liability on just the agencies participating in a facility rather than to all agencies.</li> <li>C. Mr. Collings noted that there is an opportunity to reduce costs, and thus reduce costs to all of the affected agencies’ customers also.</li> <li>D. Mr. Collings noted that the proposal will simplify, streamline, and make more efficient the operation of all of the joint facilities.</li> <li>E. Mr. Agrelius noted that the proposal gives everyone the opportunity to provide input instead of waiting for an agreement to expire.</li> <li>F. Mr. Collings stated that all agencies are connected at the outfall and that the concept retains SOCWA permit assistance/compliance as well as other regional services such as source control and laboratory services. There is also the opportunity for regional planning or other services that may be desired in the future.</li> <li>G. Ms. Lopez noted that while the proposal may seem to lack specificity, it was meant to be a good faith effort to move forward, particularly in recognition of the imminent expiration of some of the project committee agreements. She indicated that there is a lot of benefit to all agencies in the proposal.</li> </ul>



2. What concerns does your agency have and how can they be addressed?

- A. Mr. Collings stated that there are expiring project agreements and that an expedited approach is needed to address them prior to expiration. Mr. Collings noted that MNWD is open to taking care of “pieces at a time,” but prefers a comprehensive solution and emphasized that this would have to be completed expeditiously – the agencies don’t have a lot of time given upcoming expiring agreements and they need to figure out a resolution quickly.
- B. Ms. Lopez stated that the JPA is antiquated and needs significant change in order to address future water needs. She likened the existing JPA structure to “trying to drive a stagecoach on the freeway.” The antiquated system created situations such as having agencies pay for operations from which they receive no benefit. Ms. Lopez indicated that all agencies acknowledge that the system is broken, particularly around liability, and is concerned that the JPA structure is too rigid and doesn’t recognize changing and evolving needs of the member agencies that could prevent MNWD from doing the things they need to do to expand water reuse goals.
- C. Mr. Collings noted that the current agreements are ambiguous and don’t address shared liabilities. Mr. Collings and Mr. Probolsky are concerned that member agencies don’t grasp the importance of the shared liability issue.
- D. Ms. Lopez indicated her concerns about the capital programs that have not been implemented by SOCWA, as well as those that are being proposed. Ms. Lopez and Mr. Collings noted that MNWD is expected to fund approximately \$130 Million towards SOCWA’s capital improvement program over the next 10-12 years, most of which is at the Regional Treatment Plant. This equates to roughly 20% of MNWD’s total 10-Year CIP. MNWD is concerned about SOCWA’s ability to effectively and efficiently execute this CIP while ensuring MNWD’s reuse goals are met.
- E. Ms. Lopez noted that while JPAs can work, particularly for financing, this JPA has too many people trying to drive the stagecoach, and that there are so many conflicts that it’s hard to see a way forward. She knows that more details are needed for agencies to feel comfortable moving forward, but also desires that constructive feedback is obtained from the Facilitated Discussions process.



	<p>F. President Probolsky expressed his concern that, as part of the Facilitated Discussions, any agency(s) that is unwilling to proceed with further negotiations/discussions is clearly identified.</p>
<p>3. What benefits does your agency see from the proposed change?</p>	<p>A. President Probolsky stated that currently, SOCWA is struggling to provide the services needed by the member agencies and is falling farther behind because they aren't equipped to build the critical infrastructure needed by MNWD and others. The proposal would provide for reduced costs, reduced liability and better career opportunities for staff and provide the ability for MNWD to move forward with their water reclamation and supply plans.</p> <p>B. Ms. Lopez noted that each agreement developed under the proposal is going to be unique to its facility and overseen by an Operations Committee that would meet regularly as desired by the different facility partners. This will reduce the meeting burden that currently exists and facilitate more efficiency overall.</p> <p>C. Mr. Agrelius noted that the current organizational structure makes it difficult to actually focus on regional planning, while the proposal would enhance this ability.</p>
<p>4. What risks does your agency see from the proposed change?</p>	<p>A. Mr. Collings noted that in putting together the proposal, they looked at several options, including the old AWMA/SERRA/SOCWRA model, but this was the preferred approach primarily because the other models don't address the shared liability issue.</p> <p>B. Mr. Collings noted that the proposal has risks and opportunities for staff members: Risk in that existing employees may be concerned about change and look for opportunities elsewhere leading to staffing issues. He noted that it is important to communicate with SOCWA staff regarding the increased career opportunities that may arise from this approach and the ability to broaden their skills set that will be available to them as part of a full-service organization.</p>

<p>5. Do you have other organizational proposals to address the future needs of SOCWA and its member agencies?</p>	<p>A. Mr. Collings noted that in putting the proposal together, the Task Force looked at several options, including the old AWMA/SERRA model, but none of them addressed the shared liability issues that was included in this proposal.</p> <p>B. Mr. Collings noted that the overarching goal of the proposal was to address and resolve many of the outstanding issues facing the member agencies. MNWD is open to modifications and enhancements to the proposal. Ms. Lopez concurred, stating that the proposal is not so rigid that it can't be molded further.</p>
<p>6. Would you be open to ANY other operational proposal and/or governance structure other than the current operational modality?</p>	<p>A. Mr. Collings indicated that MNWD would be open to other proposals.</p>

### 3.6. Santa Margarita Water District



Question	Responses
<p>1. What does your agency like or dislike about the proposed concept?</p>	<p>A. Mr. Ferons stated that the organization (SOCWA) needs change and that the proposed concept reflects a step towards an ownership and operations methodology that reflects the value of wastewater as a source of water supply, which was not foreseen in the 1990s when the entity was reorganized into SOCWA.</p> <p>B. Mr. Bunts noted that the current JPA framework is inefficient and inequitable. There are nine agencies involved in the running of the three treatment plants (Latham, Regional and Coastal) and that four of those agencies don't pay any of the costs of those plants or realize any benefit from them – and yet they have a veto vote that can have a direct impact on those agencies that are paying for the treatment plant costs. He also noted that in addition to the SOCWA Board Members and staff, there are Board Members and staff from each of the agencies (totaling more than 60 people), ultimately involved in decision-making. This proposal would streamline the decision-making process and allow the affected agencies to have direct control over the facilities that they have direct interest in (pay for).</p> <p>C. Mr. Ferons noted the proposal recognizes that there are some SOCWA functions that are efficient and make sense to stay with SOCWA (recycled water permitting, source control, laboratory services and regulatory compliance), but that ownership and operations of the treatment plants belongs at the agency level.</p> <p>D. Mr. Ferons stated that the proposal to transfer ownership and operation of the treatment plants to the member agencies was not made because of administrative, management or operational issues. Rather, integrating these facilities into their agencies' operations recognizes that the effluent from the three plants will become the influent for current and future advanced treatment facilities, resulting in efficient and coordinated operations.</p>



	<p>E. Mr. Ferons noted that recently, SMWD and MNWD have operated Plant 3A and had both financial and operating success doing that because of their need for higher output and already being staffed for 7/24 operations. He noted that several agencies also operate water treatment and storage facilities by contract (without JPAs) very successfully.</p> <p>F. Ms. Castillo noted that the proposal addresses efficiencies gained in relation to the current tracking and allocation of costs between the various project committees and would potentially save \$1.8 million.</p>
<p>2. What concerns does your agency have and how can they be addressed?</p>	<p>A. Mr. Ferons stated that he is concerned that a piecemeal approach will be taken over several years to address the issues rather than a holistic approach.</p> <p>B. Mr. Ferons indicated that the “trust” issue keeps coming up. He’s concerned that the discussion of what’s best for the member agencies will be based upon past history and not future opportunities.</p> <p>C. Ms. Castillo noted concerns about the timeline with regards to the expiring project agreements and allocating unfunded liabilities payments. She is concerned that agreements need to be finalized within the year to meet these deadlines.</p> <p>D. Mr. Ferons and Mr. Bunts noted that they are concerned that the project committee agreements will be extended by one or two years each, which could end up being done repeatedly, and nothing gets resolved.</p> <p>E. Mr. Bunts was concerned that discussions might not take place via public workshops so that all parties can engage and discuss their concerns, but rather in separate meetings outside the ability of all parties to participate.</p> <p>F. Mr. Bunts noted that the Board is comprised primarily of staff members and a few elected members, adding a layer of inefficiency to Board deliberations.</p> <p>G. Mr. Ferons expressed concerns about the SOCWA employees and how the continuing uncertainty affects them and could increase attrition rates at SOCWA.</p>



3. What benefits does your agency see from the proposed change?

- A. Mr. Ferons pointed out the \$1.8 M cost savings identified in the March 11 Proposal attained through operational and staffing efficiencies. He noted that currently, SMWD is picking up the City of San Juan Capistrano’s costs, thus allowing General Fund and Administration costs to be divided by 10 agencies rather than 9 agencies.
- B. Mr. Ferons stated that financial guarantees could be included in the agreements.
- C. Mr. Ferons noted the potential to produce indirect and direct potable water (IPR and DPR) at Latham.
- D. Mr. Ferons and Mr. Bunts noted that the proposal would reduce the amount of time the member agencies spend on SOCWA issues that do not directly affect them and reduce the number of meetings that both member agency and SOCWA staff must prepare for and attend.
- E. Mr. Ferons noted that the proposed changes would provide the opportunity for the affected agencies to talk directly instead of hiring intermediaries.
- F. Mr. Ferons noted that there would be a streamlined ability to address capital projects, stating that SMWD has an existing and substantial engineering and construction management team that has the capacity to handle proposed capital projects.
- G. Mr. Ferons reiterated the operational efficiencies that could be obtained by agencies being able to take a holistic approach to providing recycled water as a part of the total water distribution system.



<p>4. What risks does your agency see from the proposed change?</p>	<p>Mr. Ferons indicated the following risks for SMWD:</p> <ul style="list-style-type: none"> <li>(i) An agreement that addresses all of the outstanding issues isn't developed by December 31, 2022 so that it could be executed by all agencies prior to June 30, 2023, when the Project Committee No. 2 Agreement expires. Further delays and inaction increase the amount of work and uncertainty</li> <li>(ii) If SMWD operated the Latham plant and erred in some way operating the facility, it would be SMWD's responsibility to address the regulatory issues and if necessary, pay the resulting fines/penalties.</li> <li>(iii) Similarly, they would want the same risk transfer in an operating agreement if any other agency operated the Latham plant: i.e., if SCWD erred in operating the facility, it would be SCWD's responsibility to address the regulatory issues and pay the resulting fines/penalties.</li> </ul>
<p>5. Do you have other organizational proposals to address the future needs of SOCWA and its member agencies?</p>	<p>A. Mr. Ferons indicated that another approach could be creating an independent special district that has its own board with weighted voting.</p>
<p>6.</p>	<p>Mr. Ferons stated the following:</p> <p>A. If there are other operational proposals, SMWD is open to considering them if they are proposed in a timely manner and don't delay the timeline identified previously. He noted that there has been substantial discussion of alternatives, and that the proposal that was submitted reflects the best option identified after other options had been considered and discarded.</p>



### 3.7. South Coast Water District

Question	Responses
<p>1. What does your agency like or dislike about the proposed concept?</p>	<p>A. Mr. Serna indicated that potentially retaining SOCWA for permit compliance and to limit liability made sense, particularly in light of State Lands Commission requirements on top of NPDES permit requirements. There may be new or additional permitting requirements in the future that haven't been identified and having an entity to hold those permits and ensure compliance is important, although this depends on the final resolution of the future structure of SOCWA. A thorough understanding of how the permitting/regulatory component could be kept with SOCWA needs to be obtained in order to assess how this structure will be managed and what additional staff/cost is needed for SOCWA to function as an independent agency with a limited role.</p> <p>B. District stated that SCWD supports an alternative proposal that has SCWD operating the CTP and JBL treatment plants and both outfalls, as all these facilities are located within their service area and their coastal locations need to align with SCWD's level of service requirements (i.e., no-spill policy, environmental stewardship of coastal community).</p> <p>C. District indicated that substantially more detail needs to be provided about the proposals (from both SMWD and MNWD) so that SCWD doesn't incorrectly infer elements that aren't actually being proposed.</p> <p>D. Mr. Erkeneff stated that SCWD dislikes the lack of details in the proposal and suggests developing a term sheet prior to receiving a comprehensive proposal. He stated further that the issue of a loss of control is significant to SCWD and discussion of this must be part of any proposal.</p> <p>E. Mr. Shintaku indicated that he is open to considering a proposal(s) but also wants to have dialogue on terms and conditions prior to receiving proposals. In order to fully assess an operational proposal, there needs to be more definition, both in the terms and the data supplied. Additional time may be necessary and the agencies should not be constrained by the current expiration date of PC 2.</p>



2 What concerns does your agency have and how can they be addressed?

- A. Mr. Shintaku stated that resolution of the expiring project committee agreements and SOCWA’s future is a high priority for SCWD. He noted that these issues have been discussed for three years and not much progress has been made, and he is concerned that a thoughtful agreement cannot be negotiated and approved by the member agencies by June 30, 2023. SCWD believes that seeking an amendment to extend the PC2 Agreement (i.e., amendment for time) will benefit all agencies and provide time to ensure an adequate assessment can be made that will address long-term operational and capital management of all related facilities.
- B. Mr. Erkeneff noted that there are many variables over the next 50 years, and SCWD desires an organizational structure and/or agreement(s) that includes regional water management coordination so that all water and wastewater needs – from recycled water, IPR/DPR, Desalination, etc., can be accommodated by the treatment plants and outfalls and not limited because of poor planning and coordination. He also noted that the next 50 years will require significant legislative coordination and advocacy to ensure water supply reliability and the potential for long-term financing – how these issues will be addressed should be identified in the proposal.
- C. Mr. Shintaku noted that SCWD has been asking that SOCWA define a level of service, but there hasn’t been a consensus (by the SOCWA member agencies) on defining the performance level (e.g., is it a no-spill agency, is it a low-cost agency, etc.). Defining a member-agency consensus service level for SOCWA is the proper first step in: (1) evaluating the effectiveness of the current SOCWA; and (2) negotiating agreement terms if an agency would take over operating a respective treatment plant. Mr. Shintaku was concerned that varying levels of service could be defined differently by various operating agencies, and that could impact potential liability.
- D. Mr. Goldman, Mr. Shintaku and Mr. Serna expressed concerns about the unknown and/or apparent poor condition of specific facilities and the impression that some member agencies may be responsible via their feedback at SOCWA Committee/Board meetings for SOCWA staff to run equipment to fail. A third-party condition assessment funded through SOCWA should be considered so that potential owners (if SOCWA no longer exists) can understand what may be needed to bring the facilities up to an operating agency’s level of service requirements.



- E. Mr. Erkeneff noted that when he was Chair of SOCWA, there was always an emphasis to keep costs low – at the expense of capital projects. He is concerned that current ratepayers will be asked to bring facilities up to an operating agency’s level of service standards and that those costs may need to be born on a multi-generational basis (debt financed) through the JPA (or resulting organization) rather than as PAYGO.
- F. Mr. Goldman stated that SCWD is concerned that the organizational structure that results from this process meet the changing regulatory and operating environment that is coming, and that SCWD’s assets and interests are protected. He further noted that SCWD doesn’t clearly understand if the proposed structure will be simpler or more complicated than the existing structure – particularly with regards to how the permits will be written – and that this should be assessed as part of the review process.
- G. Mr. Erkeneff noted that dismantling SOCWA for cost savings is an attractive idea, but there are liability and reliability concerns that must be addressed; he was also concerned that the savings haven’t been substantiated with detailed information and requested that this information be provided.
- H. Ms. Arends-King indicated that the March 11<sup>th</sup> proposal lacked specificity about accountability and checks and balances for operating agencies. She also requested more specific information with regards to how liability will be reduced for member agencies.
- I. Mr. Serna noted SCWD concerns about the March 11 proposal including the fact that it would seem like the remaining SOCWA entity functions (outfalls, permits, lab), such as permitting and compliance, would still require staff management structure and staffing. Also noted that it is unclear what specific issues need to be resolved with current SOCWA operations and that a better understanding of SOCWA performance via metrics and expected level of service should be established in order to properly assess alternative operator proposals.
- J. District noted that the weighted voting concept needs to be addressed in the existing SOCWA structure to address those agencies that aren’t sending flow to a treatment plant.



<p>3 What benefits does your agency see from the proposed change?</p>	<ul style="list-style-type: none"> <li>A. Mr. Shintaku noted that this process offered an opportunity to address the systemic issues facing SOCWA, but a realistic time frame, inclusive of milestones and deadlines, needs to be developed.</li> <li>B. Mr. Goldman noted that there is an opportunity to better define the problem(s) to be solved and to address them holistically.</li> <li>C. Mr. Serna indicated that SCWD sees that the opportunity for a weighted vote that would provide more control for agencies with greater ownership and cost responsibilities.</li> <li>D. Ms. Arends-King noted that this process should provide an opportunity to address a lack of coordination between Finance and Engineering Committees at SOCWA, particularly with regards to funding capital expenses.</li> <li>E. Mr. Shintaku and Mr. Serna stated that if the future of SOCWA and the proposed concept (i.e., threat) of agency takeover of the treatment plants(s) isn't resolved in the near future, then recruiting and retaining all staff, but particularly high-level staff, will be threatened.</li> </ul>
<p>4 What risks does your agency see from the proposed change?</p>	<ul style="list-style-type: none"> <li>(i) Mr. Shintaku noted that the years of discussion and turmoil have limited SOCWA's ability to recruit/retain higher level staff and that they may lose existing key staff leading to unintended consequences.</li> <li>B. Mr. Serna noted the expiring PC2 Agreement and indicated concern that an extension to the PC2 Agreement - that would enable time to resolve these issues – would not occur.</li> <li>C. Mr. Serna indicated that there is a risk and likelihood the cost savings being proposed may not be realized, and that the agencies will still need a high level of involvement, if not more, in the oversight of operations regardless of who is operating them.</li> <li>D. The operating agencies may utilize the respective treatment plants to their agency's advantage (e.g., inland agencies use JBL as a peaking plant), or require agencies that use the facility on a frequent basis to pay a disproportionate share of costs despite maintaining plant for another agency's peak use. These issues will need to be addressed in Agreements that might be as complicated or more than the existing JPA arrangement.</li> </ul>

<p>5 Do you have other organizational proposals to address the future needs of SOCWA and its member agencies?</p>	<p>A. A consensus of the attendees proposed the option of restructuring the JPA to have the ability to debt finance, set levels of service, protect voting rights, and provide regional water management coordination.</p>
<p>6 Would you be open to ANY other operational proposal and/or governance structure other than the current operational</p>	<p>A. The attendees agreed that they would be open to other organizational structures that would provide the ability to debt finance, set levels of service, incorporates weighted voting rights, and provides support for regional water management.</p>



### 3.8. SOCWA Staff

Question	Responses
<ol style="list-style-type: none"> <li>1. What does your agency like or dislike about the proposed concept?</li> <li>2. What concerns does your agency have and how can they be addressed?</li> <li>3. What benefits does your agency see from the proposed change?</li> <li>4. What risks does your agency see from the proposed change?</li> </ol>	<p>A. Ms. Burnett stated that the Orange County economy is one of the largest in the world and relies upon a beautiful ocean, reflective of a community committed to health for persons and the environment. SOCWA balances the interests of inland and coastal partners in its mission. Staff is of the opinion that SOCWA benefits are its neutrality, regional focus, transparency, lean and expert staff focused solely on wastewater treatment and compliance unincumbered by potential for conflicting interests. SOCWA staff work at the direction and within the scope set by the SOCWA Board of Directors and report under the SOCWA General Manager. The capacity for SOCWA facilities is an asset of each member agency and it is within the discretion of the agencies in accord with the JPA Agreement to determine the manner of operation of the SOCWA owned facilities. SOCWA staff will abide within the decision of the SOCWA agencies as to the future.</p>
<ol style="list-style-type: none"> <li>5. Do you have other organizational proposals to address the future needs of SOCWA and its member agencies?</li> <li>6. Would you be open to ANY other operational proposal and/or governance structure other than the current operational modality?</li> </ol>	<p>A. Ms. Burnett stated that there are a number of statutory options for the formation of organizations that treat and dispose of wastewater and its residuals. Through existing legal expertise these could be considered for compatibility to member agency needs for services.</p>



### 3.9. Trabuco Canyon Water District

Question	Responses
<p>1. What does your agency like or dislike about the proposed concept?</p>	<p>A. Mr. Dopudja stated TCWD likes the potential cost savings and assignment of liability of assets to the project agreements; however, nothing specific is demonstrated within the proposal so it's difficult to express an opinion beyond the theoretical.</p> <p>B. Mr. Dopudja noted TCWD's willingness to consider issues of fairness and equity within an alternate SOCWA structure, and was hopeful all agencies would engage. He noted that the proposal seems to be a movement forward in this direction. Mr. Dopudja noted there had been previous discussions at SOCWA regarding weighted voting, but no proposal has ever been advanced.</p>
<p>2. What concerns does your agency have and how can they be addressed?</p>	<p>A. Mr. Dopudja stated that TCWD's primary concern is the apparent lack of value proposition to their ratepayers from the proposed concept. In participating, TCWD could face the opposite of what the proponents of the concept are advocating for on behalf of their ratepayers. Mr. Dopudja suggested that the proponents of the concept demonstrate how TCWD benefits from the outcome or at least is kept whole through the process.</p> <p>B. Mr. Dopudja stated that there is a concern that TCWD ratepayers could end up paying more for the same services than they currently do. He was particularly concerned that the cost of the process to examine changing the organization could be costly and again, could also result in higher annual costs than TCWD would have experienced had there been no changes.</p> <p>C. Mr. Dopudja noted that it appears that a motivation for the proposed concept and its timeline is the impending expiration of the JPA agreements, but questioned whether this is a valid driver. He suggested that these could be addressed or clarified through a definitive legal opinion on what will happen when the agreements expire.</p>



	<p>D. Mr. Dopudja stated that TCWD has concerns about the liability exposure that was raised because of the PC15 lawsuit.</p>
<p>3 What benefits does your agency see from the proposed change?</p>	<p>A. Mr. Dopudja stated that TCWD sees some potential benefits of the proposed concept such as facilitating water reuse objectives, enhancing grant opportunities, streamlining governance, and reducing exposure to liability. It could also help answer questions regarding the expiration of existing JPA agreements.</p> <p>B. Mr. Dopudja noted, however, that some or all of these potential benefits, as well as other efficiencies and opportunities, could be pursued without a wholesale change of organizational structure.</p> <p>C. Mr. Dopudja observed that this process is an opportunity to get everyone on the same page with regards to the expiration of the agreements and what it means.</p>
<p>4 What risks does your agency see from the proposed change?</p>	<p>A. Mr. Dopudja stated that, similar to the question about concerns, the business case of the proposed concept and its aftermath are not apparent to TCWD. TCWD could be spending its ratepayer funds to enable other SOCWA agencies to save their ratepayers' funds. What if the anticipated savings of the proposed concept don't materialize, and who/what entity(ies) own the risk if that happens? How does SOCWA cap the risk to TCWD of participating in an organizational restructuring?</p>
<p>5 Do you have other organizational proposals to address the future needs of SOCWA and its member agencies?</p>	<p>A. Mr. Dopudja suggested that perhaps an OC Sanitation or other sanitation district model could serve as examples.</p>



<p>6 Would you be open to ANY other operational proposal and/or governance structure other than the current operational modality?</p>	<p>A. Mr. Dopudja stated that TCWD is open to discussing other operational or governance proposals that offer a clear and convincing case for increasing value to TCWD ratepayers, either by lowering the cost of current services or enhancing needed services in a cost-effective manner.</p> <p>B. Mr. Dopudja noted that the original agreements were developed 50 years ago and questioned whether the participants would structure the agreements the same way today. He stated that all parties should keep an open mind about changes.</p>
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Supplemental Agency Comments: Subsequent to the Meeting, General Manager Paludi provided written comments that have been incorporated into this document, but for the record, are included below:

SOCWA Facilitated Discussions

TCWD Response to Questions July 5, 2022

1. What does your agency like or dislike about the proposed concept?

TCWD likes the potential cost savings and assignment of liability of assets to the project agreements; however, nothing specific is demonstrated within the proposal so it's difficult to express an opinion beyond the theoretical.

2. What concerns does your agency have and how can they be addressed?

TCWD's primary concern is the apparent lack of value proposition to our ratepayers from the proposed concept. In participating, TCWD could face the opposite of what that the proponents of the concept are advocating for on behalf of their ratepayers. Perhaps the proponents of the concept can demonstrate how TCWD benefits from the outcome or at least is kept whole through the process?

It appears that a motivation for the proposed concept and its timeline is the impending expiration of the JPA agreements, but should this be considered a valid driver? Maybe this can be addressed or clarified through a legal opinion on what will happen when the agreements expire.

3. What benefits does your agency see from the proposed change?

TCWD sees some potential benefits of the proposed concept as facilitating water reuse objectives, enhancing grant opportunities, streamlining governance, and reducing exposure to liability. It could also help answer questions regarding the expiration of existing JPA agreements.

It should be noted, however, that some or all of these potential benefits, as well as other efficiencies and opportunities, could be pursued without a wholesale change of organizational structure.

4. What risks does your agency see from the proposed change?

Similar to the answer to Question #2, the business case of the proposed concept and its aftermath are not apparent to TCWD. TCWD could be spending its ratepayer funds to enable other SCOWA agencies to save their ratepayers' funds. What if the anticipated savings of the proposed concept don't materialize, and who/what entity(ies) own the risk if that happens? How does SOCWA cap the risk to TCWD of participation in an organizational restructuring?

5. Do you have other organizational proposals to address the future needs of SOCWA and its member agencies?

Perhaps OC Sanitation or other sanitation district models could serve as examples.

6. Would you be open to ANY other operational proposal and/or governance structure other than the current operational modality?

TCWD is open to discussing other operational or governance proposals that offer a clear and convincing case for increasing value to TCWD ratepayers, either by lowering the cost of current services or enhancing needed services in a cost-effective manner.

## 4. Agency Responses Grouped by Questions

The following pages contain the member agencies responses grouped together by each of the questions that were posed. Please note that the response for SOCWA Staff is shown on the table with Question 1 responses and Question 6 responses, as they submitted a written response that covered multiple points, but was formatted differently.



**Question 1 – What does your agency like or dislike about the proposed concept?**

CLB

- A. Ms. Dupuis stated that the proposal lacks the detail necessary to understand how the proposal has any benefit for the City. Ms. Dupuis noted that the lawsuit was a very painful and costly process for the City and this proposal doesn't address the outstanding issues identified in the judgment.
  - B. Mr. Shissler indicated that after going through the lawsuit there is a lack of trust; receiving a proposal that lacks details makes it difficult to get past that.
  - C. Mr. Jungreis questioned why there is discussion about the proposal when there is not enough information, i.e., when, how, why and supporting detail is missing.
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CSC

- A. Mr. Rebensdorf likes the proposed framework that separates out facilities and ultimately decreases San Clemente's liability, although he desires more details as to how this would be accomplished.
  - B. Mr. Rebensdorf likes that the proposal includes potential cost savings and that, particularly in the regulatory area, SOCWA would operate more like a "consultant."
  - C. Mr. Rebensdorf likes the potential for reduced number of meetings as it is difficult for him or his staff to attend all of the meetings.
  - D. Mr. Rebensdorf does not like the potential for loss of control or capacity in the outfall.
  - E. Mr. Rebensdorf feels that the Proposal is silent on how voting would change but does not want to lose control of outfall capacity or allocation of costs.
  - F. Mr. Rebensdorf feels that the current Proposal has a lack of functional detail and that agencies need more information.
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EBSB

- A. EBSB disagrees with the premise in the March 11 proposal that expiration of the Coastal Plant agreement means that change is inevitable with regards to the Coastal Plant Project Committee Agreement.
- B. Mr. Dunbar indicated that, generally, there were not enough specifics in the March 11 proposal for EBSB to provide an informed opinion.
- C. Mr. Dunbar is doubtful regarding the potential cost savings due to his experience with other consolidations he was involved with at South Coast Water District. He noted that cost savings are often offset by integration costs. He requested specific information on projected short-and long-term costs versus projected short- and long-term savings.
- D. Mr. Dunbar noted that, if the Regional Plant operations were to be transferred to MNWD, he is very concerned about EBSB's inability to have input on planning and financial issues surrounding biosolids transmission, treatment, and disposal. He based his concerns on his inability to determine costs of treatment after reviewing the MNWD IIIA Treatment Plant budget.
- E. Mr. Dunbar stated that there is a lack of clarity in the proposal regarding voting rights. This issue is of significant concern as well as how solids capacity, planning and operations and maintenance issues will be handled in the future.

**Question 1 – What does your agency like or dislike about the proposed concept? (Cont’d)**

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ETWD

- A. Mr. Cafferty stated that there is potential for cost savings as well as the potential for staff efficiencies. He likes that MNWD is willing to “guarantee” those savings.
  - B. Director Freshley and Director Gaskins indicated that the lack of specifics in the proposal made it difficult to provide a comprehensive answer to the question.
  - C. Director Gaskins noted that the current JPA is an outgrowth of evolutionary change that occurred in the 1990s and that the agencies were at an evolutionary stage again; he appreciates that this proposal is an attempt to move the discussion forward, but sees SOCWA as very dysfunctional and unable to reach agreement on any substantive issue.
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MNWD

- A. Mr. Collings stated that MNWD is supportive of the proposal and interested in resuming operation of the Regional Treatment Plant. The ability to optimize their wastewater operations, from collection to disposal, as well as develop additional water supplies is very important to them.
  - B. Mr. Collings indicated that the proposal offers the opportunity to focus liability on just the agencies participating in a facility rather than to all agencies.
  - C. Mr. Collings noted that there is an opportunity to reduce costs, and thus reduce costs to all of the affected agencies’ customers also.
  - D. Mr. Collings noted that the proposal will simplify, streamline, and make more efficient the operation of all of the joint facilities.
  - E. Mr. Agrelius noted that the proposal gives everyone the opportunity to provide input instead of waiting for an agreement to expire.
  - F. Mr. Collings stated that all agencies are connected at the outfall and that the concept retains SOCWA permit assistance/compliance as well as other regional services such as source control and laboratory services. There is also the opportunity for regional planning or other services that may be desired in the future.
  - A. Ms. Lopez noted that while the proposal may seem to lack specificity, it was meant to be a good faith effort to move forward, particularly in recognition of the imminent expiration of some of the project committee agreements. She indicated that there is a lot of benefit to all agencies in the proposal.
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SMWD

- A. Mr. Ferons stated that the organization (SOCWA) needs change and that the proposed concept reflects a step towards an ownership and operations methodology that reflects the value of wastewater as a source of water supply, which was not foreseen in the 1990s when the entity was reorganized into SOCWA.
- B. Mr. Bunts noted that the current JPA framework is inefficient and inequitable. There are nine agencies involved in the running of the three treatment plants (Latham, Regional and Coastal) and that four of those agencies don’t pay any of the costs of those plants or realize any benefit from them – and yet they have a veto vote that can have a direct impact on those agencies that are paying for the treatment plant costs. He also noted that in addition to the SOCWA Board Members and staff, there are Board Members and staff from each of the agencies (totaling more than 60 people), ultimately involved in decision-making. This proposal would streamline the decision-making process and allow the affected agencies to have direct control over the facilities that they have direct interest in (pay for).

**Question 1 – What does your agency like or dislike about the proposed concept? (Cont'd)**SMWD  
(Cont'd)

- C. Mr. Ferons noted the proposal recognizes that there are some SOCWA functions that are efficient and make sense to stay with SOCWA (recycled water permitting, source control, laboratory services and regulatory compliance), but that ownership and operations of the treatment plants belongs at the agency level.
  - D. Mr. Ferons stated that the proposal to transfer ownership and operation of the treatment plants to the member agencies was not made because of administrative, management or operational issues. Rather, integrating these facilities into their agencies' operations recognizes that the effluent from the three plants will become the influent for current and future advanced treatment facilities, resulting in efficient and coordinated operations.
  - E. Mr. Ferons noted that recently, SMWD and MNWD have operated Plant 3A and had both financial and operating success doing that because of their need for higher output and already being staffed for 7/24 operations. He noted that several agencies also operate water treatment and storage facilities by contract (without JPAs) very successfully.
  - F. Ms. Castillo noted that the proposal addresses efficiencies gained in relation to the current tracking and allocation of costs between the various project committees and would potentially save \$1.8 million.
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SCWD

- A. Mr. Serna indicated that potentially retaining SOCWA for permit compliance and to limit liability made sense, particularly in light of State Lands Commission requirements on top of NPDES permit requirements. There may be new or additional permitting requirements in the future that haven't been identified and having an entity to hold those permits and ensure compliance is important, although this depends on the final resolution of the future structure of SOCWA. A thorough understanding of how the permitting/regulatory component could be kept with SOCWA needs to be obtained in order to assess how this structure will be managed and what additional staff/cost is needed for SOCWA to function as an independent agency with a limited role.
- B. District stated that SCWD supports an alternative proposal that has SCWD operating the CTP and JBL treatment plants and both outfalls, as all these facilities are located within their service area and their coastal locations need to align with SCWD's level of service requirements (i.e., no-spill policy, environmental stewardship of coastal community).
- C. District indicated that substantially more detail needs to be provided about the proposals (from both SMWD and MNWD) so that SCWD doesn't incorrectly infer elements that aren't actually being proposed.
- D. Mr. Erkeneff stated that SCWD dislikes the lack of details in the proposal and suggests developing a term sheet prior to receiving a comprehensive proposal. He stated further that the issue of a loss of control is significant to SCWD and discussion of this must be part of any proposal.
- E. Mr. Shintaku indicated that he is open to considering a proposal(s) but also wants to have dialogue on terms and conditions prior to receiving proposals. In order to fully assess an operational proposal, there needs to be more definition, both in the terms and the data supplied. Additional time may be necessary and the agencies should not be constrained by the current expiration date of PC 2.



SOCWA  
Staff

**Question 1 – What does your agency like or dislike about the proposed concept? (Cont'd)**

A. Ms. Burnett stated that the Orange County economy is one of the largest in the world and relies upon a beautiful ocean reflective of a community committed to health for persons and the environment. SOCWA balances the interests of inland and coastal partners in its mission. Staff is of the opinion that SOCWA benefits are its neutrality, regional focus, transparency, lean and expert staff focused solely on wastewater treatment and compliance unincumbered by potential for conflicting interests. SOCWA staff work at the direction and within the scope set by the SOCWA Board of Directors and report under the SOCWA General Manager. The capacity for SOCWA facilities is an asset of each member agency and it is within the discretion of the agencies in accord with the JPA Agreement to determine the manner of operation of the SOCWA owned facilities. SOCWA staff will abide within the decision of the SOCWA agencies as to the future.

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TCWD

- A. Mr. Dopudja stated TCWD likes the potential cost savings and assignment of liability of assets to the project agreements; however, nothing specific is demonstrated within the proposal so it's difficult to express an opinion beyond the theoretical.
- B. Mr. Dopudja noted TCWD's willingness to consider issues of fairness and equity within an alternate SOCWA structure, and was hopeful all agencies would engage. He noted that the proposal seems to be a movement forward in this direction. Mr. Dopudja noted there had been previous discussions at SOCWA regarding weighted voting, but no proposal has ever been advanced.

**Question 2 – What concerns does your agency have and how can they be addressed?**

CLB

- A. Ms. Dupuis stated that because of the lack of detail in the proposal the City can't make any decision regarding the proposal. Primary concerns include: no backup to substantiate the proposed savings, no detailed information regarding how the treatment plants would be operated and how costs would be allocated, and no discussion of how liability would be handled.
- B. Ms. Dupuis stated that the City is very concerned that there could be significant liabilities for the City that don't exist under the current structure.
- C. Ms. Dupuis stated the City doesn't understand how this will address the expiring PC 15 Agreement.
- D. Mr. Domer noted that the proposal doesn't include a term and that the existing project committee agreements had been in place for almost 50 years; any proposal should provide a framework for a similar horizon.
- E. Mr. Jungreis stated that there is continuing oversight by the Court after the CTP lawsuit settlement and this needs to be considered as this proposal or any proposal is discussed.
- F. Mr. Shissler expressed concerns about how regulatory agencies would view the proposal.
- G. Mr. Shissler noted that discussions about weighted votes had been held, but the one vote per agency and veto voting provisions are important to the City to retain; he noted that a ratepayer in Laguna Beach is as important as a ratepayer in any other agency and should have the same rights.
- H. Mr. Jungreis stated that the level of bureaucracy between the nine agencies and the number of meetings has the potential to place a considerable burden on City staff; there is no information in the proposal regarding how this will be reduced in the alternative structure.
- I. Mr. Jungreis noted that the need for failsafe disposal of sewage will be necessary into the future and that all agencies are tied together at the Outfalls; the presentation focuses CSD
- J. Ms. Broida expressed concerns that the agencies "don't know what they don't know" but are contemplating substantial changes to their organizational structure.

CSC

- 
- A. Mr. Rebensdorf would like to ensure that the cost savings outlined in the proposal are substantiated, that costs wouldn't be shifted, and he would like to see additional detailed information provided as to how the savings will be achieved.
  - B. Mr. Rebensdorf is concerned with future outfall use and how the outfall will be used during high- and low-flow periods, particularly storm events and seasonal changes in discharges, and how regulatory requirements will be met. He noted that it is imperative that the agencies coordinate closely on future plans for the outfall.
  - C. Mr. Rebensdorf is concerned that more information is needed regarding the transfer of assets to agencies and which agencies would own/operate the different assets.
  - D. Mr. Rebensdorf is concerned that the regional purchasing contracts may not continue so would like to see that addressed moving forward.
  - E. Mr. Rebensdorf is concerned that there still needs to be a functional agency similar to SOCWA in place if the assets are split off, but other services remain.
  - F. Mr. Rebensdorf is concerned that the process is being rushed and that the current deadlines discussed should be extended. He noted that it will take a significant amount of time to develop a detailed proposal and then have it go through the review process in the City (i.e., City Attorney, City Manager, Council).

**Question 2 – What concerns does your agency have and how can they be addressed? (Cont’d)**

EBS D

- A. Mr. Dunbar stated that loss of the veto voting right is a significant concern of theirs. He noted that EBSD believes that this right is an important protection for all agencies, but particularly for smaller agencies. Mr. Dunbar stated that any transfer of operations must include continuance of current voting rights.
  - B. Mr. Dunbar stated that EBSD supports having the existing third-party operational structure for SOCWA as the staff have provided liability protection under the Clean Water Act for the member agencies. With regards to overall liability, Mr. Dunbar said that this issue has not been adequately addressed and is poorly understood with regards to how it would affect the NPDES permit. He questioned whether an agency could self-police itself in the event of a violation as this would appear to be a conflict, especially given the multiple participants. EBSD suggests having both extensive legal and regulatory review once a detailed proposal is provided.
  - C. Mr. Dunbar noted that he is concerned that the SOCWA agencies do not well understand the treatment plant performance records for the other agencies and whether there could be increased liability due to increased violations and/or additional costs for poor performance.
  - D. Mr. Dunbar noted that SOCWA has been independently audited by the State Auditor as well as undergone a Performance Management Study by Carollo Engineers that included benchmarking comparisons to other regional wastewater agencies. EBSD would like to see the three agencies that have the potential to operate the SOCWA facilities undergo a similar performance review/audit to ensure due diligence is observed when presenting this significant operating change to the member agencies and regulatory agencies.
  - E. Mr. Dunbar stated that EBSD is concerned about transparency and sensitivity towards coastal environmental issues. EBSD is confident in the existing staff's concern and culture towards these issues and that they balance inland and coastal concerns as well.
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ETWD

- A. Director Gaskins is concerned that the real issue is that of personalities and that forward progress won't be made until that is addressed.
- B. Director Freshley is concerned that the proposal address a reduction in reserve levels and that the complexity of the accounting system is similarly reduced. She noted that less reserves and more trust would create a less complex accounting system that could result in further cost savings.
- C. Director Freshley agreed that the JPA needs revision and that includes how to address the smaller agencies' voting issues; Mr. Cafferty similarly noted that voting issues have been a concern amongst the SOCWA member agencies for some time.
- D. Director Gaskins stated his concern that the proposal doesn't answer how the remaining SOCWA functions would be overseen, as it would be difficult for SOCWA permitting staff to be in a pseudo-regulatory position but be employed by one of the agencies they "regulate."
- E. Mr. Cafferty stated that there have been discussions regarding how overhead costs will be divided between the agencies noting that, with the consolidation of SMWD and the City of San Juan Capistrano, as well as IRWD's pending exit, there will be less agencies to absorb overhead costs.
- F. Mr. Cafferty indicated that he does not understand how the management structure for "New SOCWA" or "SOCWA Light" would function; he noted that there will still be administrative functions (budget, personnel, accounting) that will need to be performed, but like Director Gaskins, doesn't understand how this would work.
- G. Mr. Cafferty noted that more details on how the proposed liability shift would occur are needed.





*Facilitated Discussions – Alternative Wastewater Delivery*

**Question 2 – What concerns does your agency have and how can they be addressed? (Cont’d)**

ETWD  
(Cont’d)

- A. Mr. Cafferty noted that an attempt was made in 2019 to resolve “low hanging fruit” aspects of the JPA Agreement, but that no progress was able to be made on the relatively easy elements, so he was doubtful that significant timely progress could be made on resolving substantive issues such as liability.
- B. Director Freshley is concerned that the proposal does not address regional water planning – including changing technology and regulations, ETWD options for solids handling and the associated impacts on the JPA system.

MNWD

- A. Mr. Collings stated that there are expiring project agreements and that an expedited approach is needed to address them prior to expiration. Mr. Collings noted that MNWD is open to taking care of “pieces at a time,” but prefers a comprehensive solution and emphasized that this would have to be completed expeditiously – the agencies don’t have a lot of time given upcoming expiring agreements and they need to figure out a resolution quickly.
- B. Ms. Lopez stated that the JPA is antiquated and needs significant change in order to address future water needs. She likened the existing JPA structure to “trying to drive a stagecoach on the freeway.” The antiquated system created situations such as having agencies pay for operations from which they receive no benefit. Ms. Lopez indicated that all agencies acknowledge that the system is broken, particularly around liability, and is concerned that the JPA structure is too rigid and doesn’t recognize changing and evolving needs of the member agencies that could prevent MNWD from doing the things they need to do to expand water reuse goals.
- C. Mr. Collings noted that the current agreements are ambiguous and don’t address shared liabilities. Mr. Collings and Mr. Probolsky are concerned that member agencies don’t grasp the importance of the shared liability issue.
- D. Ms. Lopez indicated her concerns about the capital programs that have not been implemented by SOCWA, as well as those that are being proposed. Ms. Lopez and Mr. Collings noted that MNWD is expected to fund approximately \$130 Million towards SOCWA’s capital improvement program over the next 10-12 years, most of which is at the Regional Treatment Plant. This equates to roughly 20% of MNWD’s total 10-Year CIP. MNWD is concerned about SOCWA’s ability to effectively and efficiently execute this CIP while ensuring MNWD’s reuse goals are met.
- E. Ms. Lopez noted that while JPAs can work, particularly for financing, this JPA has too many people trying to drive the stagecoach, and that there are so many conflicts that it’s hard to see a way forward. She knows that more details are needed for agencies to feel comfortable moving forward, but also desires that constructive feedback is obtained from the Facilitated Discussions process.
- F. President Probolsky expressed his concern that, as part of the Facilitated Discussions, any agency(s) that is unwilling to proceed with further negotiations/discussions is clearly identified.

SMWD

- A. Mr. Ferons stated that he is concerned that a piecemeal approach will be taken over several years to address the issues rather than a holistic approach.
- B. Mr. Ferons indicated that the “trust” issue keeps coming up. He’s concerned that the discussion of what’s best for the member agencies will be based upon past history and not future opportunities.
- C. Ms. Castillo noted concerns about the timeline with regards to the expiring project agreements and allocating unfunded liabilities payments. She is concerned that agreements need to be finalized within the year to meet these deadlines.
- D. Mr. Ferons and Mr. Bunts noted that they are concerned that the project committee agreements will be extended by one or two years each, which could end up being done repeatedly, and nothing gets resolved.

**Question 2 – What concerns does your agency have and how can they be addressed? (Cont’d)**

SMWD  
(Cont’d)

- E. Mr. Bunts was concerned that discussions might not take place via public workshops so that all parties can engage and discuss their concerns, but rather in separate meetings outside the ability of all parties to participate.
- F. Mr. Bunts noted that the Board is comprised primarily of staff members and a few elected members, adding a layer of inefficiency to Board deliberations.
- G. Mr. Ferons expressed concerns about the SOCWA employees and how the continuing uncertainty affects them and could increase attrition rates at SOCWA.

SCWD

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- A. Mr. Shintaku stated that resolution of the expiring project committee agreements and SOCWA’s future is a high priority for SCWD. He noted that these issues have been discussed for three years and not much progress has been made, and he is concerned that a thoughtful agreement cannot be negotiated and approved by the member agencies by June 30, 2023. SCWD believes that seeking an amendment to extend the PC2 Agreement (i.e., amendment for time) will benefit all agencies and provide time to ensure an adequate assessment can be made that will address long-term operational and capital management of all related facilities.
  - B. Mr. Erkeneff noted that there are many variables over the next 50 years, and SCWD desires an organizational structure and/or agreement(s) that includes regional water management coordination so that all water and wastewater needs – from recycled water, IPR/DPR, Desalination, etc., can be accommodated by the treatment plants and outfalls and not limited because of poor planning and coordination. He also noted that the next 50 years will require significant legislative coordination and advocacy to ensure water supply reliability and the potential for long-term financing – how these issues will be addressed should be identified in the proposal.
  - C. Mr. Shintaku noted that SCWD has been asking that SOCWA define a level of service, but there hasn’t been a consensus (by the SOCWA member agencies) on defining the performance level (e.g., is it a no-spill agency, is it a low-cost agency, etc.). Defining a member-agency consensus service level for SOCWA is the proper first step in: (1) evaluating the effectiveness of the current SOCWA; and (2) negotiating agreement terms if an agency would take over operating a respective treatment plant. Mr. Shintaku was concerned that varying levels of service could be defined differently by various operating agencies, and that could impact potential liability.
  - D. Mr. Goldman, Mr. Shintaku and Mr. Serna expressed concerns about the unknown and/or apparent poor condition of specific facilities and the impression that some member agencies may be responsible via their feedback at SOCWA Committee/Board meetings for SOCWA staff to run equipment to fail. A third-party condition assessment funded through SOCWA should be considered so that potential owners (if SOCWA no longer exists) can understand what may be needed to bring the facilities up to an operating agency’s level of service requirements.
  - E. Mr. Erkeneff noted that when he was Chair of SOCWA, there was always an emphasis to keep costs low – at the expense of capital projects. He is concerned that current ratepayers will be asked to bring facilities up to an operating agency’s level of service standards and that those costs may need to be born on a multi-generational basis (debt financed) through the JPA (or resulting organization) rather than as PAYGO.
  - F. Mr. Goldman stated that SCWD is concerned that the organizational structure that results from this process meet the changing regulatory and operating environment that is coming, and that SCWD’s assets and interests are protected. He further noted that SCWD doesn’t clearly understand if the proposed structure will be simpler or more complicated than the existing structure – particularly with regards to how the permits will be written – and that this should be assessed as part of the review process.

**Question 2 – What concerns does your agency have and how can they be addressed? (Cont’d)**

SCWD  
(Cont’d)

- A. Mr. Erkeneff noted that dismantling SOCWA for cost savings is an attractive idea, but there are liability and reliability concerns that must be addressed; he was also concerned that the savings haven’t been substantiated with detailed information and requested that this information be provided.
- B. Ms. Arends-King indicated that the March 11<sup>th</sup> proposal lacked specificity about accountability and checks and balances for operating agencies. She also requested more specific information with regards to how liability will be reduced for member agencies.
- C. Mr. Serna noted SCWD concerns about the March 11 proposal including the fact that it would seem like the remaining SOCWA entity functions (outfalls, permits, lab), such as permitting and compliance, would still require staff management structure and staffing. Also noted that it is unclear what specific issues need to be resolved with current SOCWA operations and that a better understanding of SOCWA performance via metrics and expected level of service should be established in order to properly assess alternative operator proposals.
- D. District noted that the weighted voting concept needs to be addressed in the existing SOCWA structure to address those agencies that aren’t sending flow to a treatment plant.

TCWD

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- A. Mr. Dopudja stated that TCWD’s primary concern is the apparent lack of value proposition to their ratepayers from the proposed concept. In participating, TCWD could face the opposite of what the proponents of the concept are advocating for on behalf of their ratepayers. Mr. Dopudja suggested that the proponents of the concept demonstrate how TCWD benefits from the outcome or at least is kept whole through the process.
  - 2. Mr. Dopudja stated that there is a concern that TCWD ratepayers could end up paying more for the same services than they currently do. He was particularly concerned that the cost of the process to examine changing the organization could be costly and again, could also result in higher annual costs than TCWD would have experienced had there been no changes.
  - 3. Mr. Dopudja noted that it appears that a motivation for the proposed concept and its timeline is the impending expiration of the JPA agreements, but questioned whether this is a valid driver. He suggested that these could be addressed or clarified through a definitive legal opinion on what will happen when the agreements expire.
  - D. Mr. Dopudja stated that TCWD has concerns about the liability exposure that was raised because of the PC15 lawsuit.



**Question 3 – What benefits does your agency see from the proposed change?**

CLB

A. Mr. Domer indicated that the City was unable to determine benefits due to the lack of detail provided.

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CSC

- A. Mr. Rebensdorf agrees that the assumption of liability by an operating agency would be a significant benefit.
  - B. Mr. Rebensdorf considers the potential cost savings and reduction of staff time attending meetings as a significant benefit.
  - C. Mr. Rebensdorf sees an opportunity for total water management coordination with the current proposal.
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EBSD

A. Mr. Dunbar agreed that the Facilitated Discussion will be helpful in providing the opportunity for agencies to state their concerns with the March 11 proposal.

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ETWD

A. Director Freshley stated that the biggest benefit she saw in the proposal was the cost savings.

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MNWD

- A. President Probolsky stated that currently, SOCWA is struggling to provide the services needed by the member agencies and is falling farther behind because they aren't equipped to build the critical infrastructure needed by MNWD and others. The proposal would provide for reduced costs, reduced liability and better career opportunities for staff and provide the ability for MNWD to move forward with their water reclamation and supply plans.
  - B. Ms. Lopez noted that each agreement developed under the proposal is going to be unique to its facility and overseen by an Operations Committee that would meet regularly as desired by the different facility partners. This will reduce the meeting burden that currently exists and facilitate more efficiency overall.
  - C. Mr. Agrelius noted that the current organizational structure makes it difficult to actually focus on regional planning, while the proposal would enhance this ability.
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SMWD

- A. Mr. Ferons pointed out the \$1.8 M cost savings identified in the March 11 Proposal attained through operational and staffing efficiencies. He noted that currently, SMWD is picking up the City of San Juan Capistrano's costs, thus allowing General Fund and Administration costs to be divided by 10 agencies rather than 9 agencies.
- B. Mr. Ferons stated that financial guarantees could be included in the agreements.
- C. Mr. Ferons noted the potential to produce indirect and direct potable water (IPR and DPR) at Latham.
- D. Mr. Ferons and Mr. Bunts noted that the proposal would reduce the amount of time the member agencies spend on SOCWA issues that do not directly affect them and reduce the number of meetings that both member agency and SOCWA staff must prepare for and attend.
- E. Mr. Ferons noted that the proposed changes would provide the opportunity for the affected agencies to talk directly instead of hiring intermediaries.

**Question 3 – What benefits does your agency see from the proposed change? (Cont'd)**

SMWD  
(Cont'd)

- A. Mr. Ferons noted that there would be a streamlined ability to address capital projects, stating that SMWD has an existing and substantial engineering and construction management team that has the capacity to handle proposed capital projects.
  - B. Mr. Ferons reiterated the operational efficiencies that could be obtained by agencies being able to take a holistic approach to providing recycled water as a part of the total water distribution system.
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SCWD

- A. Mr. Shintaku noted that this process offered an opportunity to address the systemic issues facing SOCWA, but a realistic time frame, inclusive of milestones and deadlines, needs to be developed.
  - B. Mr. Goldman noted that there is an opportunity to better define the problem(s) to be solved and to address them holistically.
  - C. Mr. Serna indicated that SCWD sees that the opportunity for a weighted vote that would provide more control for agencies with greater ownership and cost responsibilities.
  - D. Ms. Arends-King noted that this process should provide an opportunity to address a lack of coordination between Finance and Engineering Committees at SOCWA, particularly with regards to funding capital expenses.
  - E. Mr. Shintaku and Mr. Serna stated that if the future of SOCWA and the proposed concept (i.e., threat) of agency takeover of the treatment plants(s) isn't resolved in the near future, then recruiting and retaining all staff, but particularly high-level staff, will be threatened.
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TCWD

- A. Mr. Dopudja stated that TCWD sees some potential benefits of the proposed concept such as facilitating water reuse objectives, enhancing grant opportunities, streamlining governance, and reducing exposure to liability. It could also help answer questions regarding the expiration of existing JPA agreements.
- B. Mr. Dopudja noted, however, that some or all of these potential benefits, as well as other efficiencies and opportunities, could be pursued without a wholesale change of organizational structure.
- C. Mr. Dopudja observed that this process is an opportunity to get everyone on the same page with regards to the expiration of the agreements and what it means.

**Question 4 – What risks does your agency see from the proposed change?**

CLB

- A. Mr. Shissler noted that in the past, when the Outfall experienced a leak, the City was the entity that was identified with it and whose reputation was impacted, not AWMA. The City has a high degree of concern for the ocean environment and desires that the operators of any of the facilities operate and maintain them to the highest degree – the City desires a structure that protects their ability to continue to have the voting power they currently have to set policy for this important function.
- B. Mr. Shissler noted that EPA, the State and Regional Board may encumber the agencies with new and additional requirements because of the change from third-party operations to operations by member agencies via contracts.
- C. Mr. Jungreis expressed his concern about the risks posed by emerging contaminants such as PFAS and the BKK CERCLA lawsuit, and how the proposal would address these liabilities for current members as well as those contaminants that can emerge years after an agency has “left.”
- D. Mr. Jungreis questioned the transfer of assets that were constructed with grant funding for regional facilities and whether this could trigger reconsideration by the funding agencies.
- E. Mr. Shissler noted his concerns that the City’s solids are treated at the Regional Plant and that they currently have substantial input into the budgeting, staffing, and disposal practices at the Regional Plant that they do not want to lose.
- F. Mr. Shissler questioned whether regional water reuse planning would be enhanced or reduced through this proposal.

CSC

- A. Mr. Rebensdorf anticipates that there could be a loss of control and/or capacity under the Proposal.
- B. Mr. Rebensdorf indicated that he is concerned that there could be decisions made by the operating agency of an asset without input from user agencies; this could be detrimental to San Clemente.

EBS

Mr. Dunbar indicated the following concerns for EBSD:

- (i) Would potentially be giving up their veto vote.
- (ii) EBSD would potentially lose the ability to have input into solids treatment costs, planning and operations and maintenance under the proposal.
- (iii) EBSD could be gaining significant additional liability if the agencies that assume operations experience increased violations or if inherent self-policing conflicts give rise to additional legal conflicts between the member agencies
- (iv) Regulatory agencies could take a dim view of the proposal and reject it after significant effort and expense has gone into discussing and developing a proposal.
- (v) Key staff have already left and additional key staff may leave during this period of instability and expose the agency to overburdening remaining staff and serious other unintended consequences if they think they are going to lose their jobs or they will substantially change due to the proposed reorganization.
- (vi) Treatment costs could increase due to loss of economies of scale.



**Question 4 – What risks does your agency see from the proposed change? (Cont'd)**

ETWD

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- A. Mr. Cafferty notes that there is a risk that the cost savings shown in the proposal could creep up after implementation and erode the savings, or that the cost savings were in effect for only a year or two.
  - B. Mr. Cafferty noted that there is a risk that the liability issues can't be adequately addressed under a JPA structure.
- 

MNWD

- A. Mr. Collings noted that in putting together the proposal, they looked at several options, including the old AWMA/SERRA/SOCWRA model, but this was the preferred approach primarily because the other models don't address the shared liability issue.
  - B. Mr. Collings noted that the proposal has risks and opportunities for staff members: Risk in that existing employees may be concerned about change and look for opportunities elsewhere leading to staffing issues. He noted that it is important to communicate with SOCWA staff regarding the increased career opportunities that may arise from this approach and the ability to broaden their skills set that will be available to them as part of a full-service organization.
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SMWD

Mr. Ferons indicated the following risks for SMWD:

- (i) An agreement that addresses all of the outstanding issues isn't developed by December 31, 2022 so that it could be executed by all agencies prior to June 30, 2023, when the Project Committee No. 2 Agreement expires. Further delays and inaction increase the amount of work and uncertainty
  - (ii) If SMWD operated the Latham plant and erred in some way operating the facility, it would be SMWD's responsibility to address the regulatory issues and if necessary, pay the resulting fines/penalties.
  - (iii) Similarly, they would want the same risk transfer in an operating agreement if any other agency operated the Latham plant: i.e., if SCWD erred in operating the facility, it would be SCWD's responsibility to address the regulatory issues and pay the resulting fines/penalties.
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SCWD

- A. Mr. Shintaku noted that the years of discussion and turmoil have limited SOCWA's ability to recruit/retain higher level staff and that they may lose existing key staff leading to unintended consequences.
- B. Mr. Serna noted the expiring PC2 Agreement and indicated concern that an extension to the PC2 Agreement - that would enable time to resolve these issues – would not occur.
- C. Mr. Serna indicated that there is a risk and likelihood the cost savings being proposed may not be realized, and that the agencies will still need a high level of involvement, if not more, in the oversight of operations regardless of who is operating them.

**Question 4 – What risks does your agency see from the proposed change? (Cont'd)**

SCWD  
(Cont'd)

A. The operating agencies may utilize the respective treatment plants to their agency's advantage (e.g., inland agencies use JBL as a peaking plant), or require agencies that use the facility on a frequent basis to pay a disproportionate share of costs despite maintaining plant for another agency's peak use. These issues will need to be addressed in Agreements that might be as complicated or more than the existing JPA arrangement.

TCWD

A. Mr. Dopudja stated that, similar to the question about concerns, the business case of the proposed concept and its aftermath are not apparent to TCWD. TCWD could be spending its ratepayer funds to enable other SOCWA agencies to save their ratepayers' funds. What if the anticipated savings of the proposed concept don't materialize, and who/what entity(ies) own the risk if that happens? How does SOCWA cap the risk to TCWD of participating in an organizational restructuring?

**Question 5 – Do you have other organizational proposals to address the future needs of SOCWA and its member agencies?**

- CLB
- A. Mr. Jungreis stated that the City would like to see the status quo evaluated as an alternative to any suggested reorganizations to the existing structure.
  - B. Mr. Jungreis, and others, noted that the AWMA structure could be considered as an alternative if SOCWA, in its current form is not to be maintained. However, some type of JPA structure will be required.
- 
- CSC
- B. Mr. Rebensdorf did not have any specific organizational proposals to share but would like to see the management of the outfall infrastructure addressed in any proposals considered.
- 
- EBSD
- A. Mr. Dunbar stated that there should be a proposal discussed for SOCWA to continue to provide these services, and that includes a plan to achieve the benefits cited by SMWD and MNWD under the March 11 proposal.
  - B. Mr. Dunbar requested that the March 11 proposal examine how operating efficiency could be negatively impacted by the transfer proposal.
  - C. Mr. Dunbar requested that any proposal examine the liability implications of changing from operations by a neutral third-party to operations by individual agencies with potentially conflicting goals.
  - D. Mr. Dunbar proposed that the SOCWA Agencies consider requiring elected officials, not Member Agency staff members, to sit on the Board.
  - E. Mr. Dunbar proposed that a policy be adopted to limit member agency staff contacting SOCWA staff directly; rather, they should go through the SOCWA General Manager so that he/she is able to allocate their resources most efficiently.
- 
- ETWD
- A. The attendees reported that they have not identified an alternate proposal, however the ETWD Board would like to streamline the existing process. The Board has not taken a position on any organizational structure.
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- MNWD
- A. Mr. Collings noted that in putting the proposal together, the Task Force looked at several options, including the old AWMA/SERRA model, but none of them addressed the shared liability issues that was included in this proposal.
  - B. Mr. Collings noted that the overarching goal of the proposal was to address and resolve many of the outstanding issues facing the member agencies. MNWD is open to modifications and enhancements to the proposal. Ms. Lopez concurred, stating that the proposal is not so rigid that it can't be molded further.



**Question 5 – Do you have other organizational proposals to address the future needs of SOCWA and its member agencies?**  
(Cont'd)

SMWD

A. Mr. Ferons indicated that another approach could be creating an independent special district that has its own board with weighted voting.

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SCWD

A. A consensus of the attendees proposed the option of restructuring the JPA to have the ability to debt finance, set levels of service, protect voting rights, and provide regional water management coordination.

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TCWD

A. Mr. Dopudja suggested that perhaps an OC Sanitation or other sanitation district model could serve as examples.



**Question 6 – Would you be open to ANY other operational proposal and/or governance structure other than the current operational modality?**

CLB

A. Mr. Domer indicated that the City would be open to alternatives as part of the development of a long-term Strategic Plan that addresses both governance structure and facility capital requirements.

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CSC

A. Mr. Rebensdorf is open to other organizational structures that would keep in place current protections including protecting voting rights and existing capacity levels while keeping costs down.

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EBS

Mr. Dunbar stated the following:

- A. EBSD would entertain a proposal for MNWD to exit the Coastal Plant under acceptable financial and contractual terms.
  - B. EBSD will only entertain a proposal for MNWD to operate the Regional Plant under specific circumstances.
  - C. EBSD would be open to hearing proposals for other operating options.
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ETWD

A. Yes.

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MNWD

A. Mr. Collings indicated that MNWD would be open to other proposals.

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SMWD

Mr. Ferons stated the following:

- A. If there are other operational proposals, SMWD is open to considering them if they are proposed in a timely manner and don't delay the timeline identified previously. He noted that there has been substantial discussion of alternatives, and that the proposal that was submitted reflects the best option identified after other options had been considered and discarded.



**Question 6 – Would you be open to ANY other operational proposal and/or governance structure other than the current operational modality? (Cont'd)**

SCWD

A. The attendees agreed that they would be open to other organizational structures that would provide the ability to debt finance, set levels of service, incorporates weighted voting rights, and provides support for regional water management.

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OCWA  
Staff

A. Ms. Burnett stated that there are a number of statutory options for the formation of organizations that treat and dispose of wastewater and its residuals. Through existing legal expertise these could be considered for compatibility to member agency needs for services.

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TCWD

- A. Mr. Dopudja stated that TCWD is open to discussing other operational or governance proposals that offer a clear and convincing case for increasing value to TCWD ratepayers, either by lowering the cost of current services or enhancing needed services in a cost-effective manner.
- B. Mr. Dopudja noted that the original agreements were developed 50 years ago and questioned whether the participants would structure the agreements the same way today. He stated that all parties should keep an open mind about changes.



## 5. Summary of Similar Responses

The following tables identify Member Agency responses, that in the opinion of OMTS, have similar general or specific elements that a reasonable person could link them together. In preparing these tables we have endeavored to do so in as judgement free and unbiased manner as possible.

Table 3a. Proposal Likes

Agency	Cost Savings/Guarantees	Member Staff Efficiencies	Decentralize And Optimize Operations	Streamline Decision Making	SOCWA Retains Permitting/Compliance	Providing Input Into Process Prior to Agreement Expiration	Reduced Liability
EBS							
SMWD	✓		✓	✓	✓		
SCWD			✓		✓		✓
ETWD	✓	✓					
MNWD	✓		✓	✓		✓	✓
SOCWA Staff							
CSC	✓	✓			✓		✓
CLB							
TCWD	✓					✓	✓

Table 3b. Proposal Dislikes

Agency	Lacks Detail and Specifics	Short-term vs. Long-term Savings	Doesn't Address Lawsuit And Lack of MNWD Trust	Benefits Desired May Be Accomplished With Current Operating Structure	Loss of Voting Rights	Loss of Control, Capacity and Input for TPs and Outfall	Should Not Be Constrained By Current Expiration Of PC2 Agreement	Expiration of CPT Doesn't Mean Change is Inevitable
EBS	✓	✓	✓	✓	✓	✓		✓
SMWD								
SCWD	✓					✓	✓	
ETWD								
MNWD								
SOCWA Staff								
CSC	✓				✓			
CLB	✓		✓					
TCWD	✓							

Table 4. Overall Concerns (Some overlapping with Table 3b Dislikes and Table 4 Risks)

Agency	Treatment Plant Performance	Audit Accounting Requirements	JPA Governance	Liability	Permit	Performance	PC Agreement Expirations	Inequitable Buy-outs/Lawsuit Settlement	Piecemeal Rather than Holistic Approach to water management	Will Regional Platform/Regional Contracts Remain	Conduct Condition Assessment to Assess Facilities and need for CIP	Loss of Voting Rights	Member Agencies to Meet Performance Standard to Qualify for TP Operations	Trust/Relationships Too Damaged	Discussions Need to be Open Meeting Format	SOCWA Staff Subject to Continuing Uncertainty	Cost Savings Need to be Substantiated	Need Specificity about Accountability and Checks and Balances on Operating Agencies	Address Voting Concepts (Weighted)	Burden on Member Agency Staff Time	How will Financial Issues (Overhead, etc.) be Handled	Future Outfall Use	Who Will Own Assets and How Will Transfers Occur	Lack of detail in Proposal	Fallsafe disposal preserved	Lack of Value for Ratepayers	Cost of Resolution	
CLB				<	<		<	<				<					<			<			<					
CSC			<				<			<																		
EBSD				<	<							<																
ETWD			<	<	<								<															
MINWD			<	<																								
SMWD			<				<																					
SCWD			<	<			<		<																			
SOCWA Staff																												
TCWD																												



Table 5. Benefits

Agency	Forum for Agencies to State Concerns	Cost Savings / Guarantee	Total Water Mgt./ Regional Planning	Less Burden on Member Agency Staff Time*	Communication Efficiencies	Reduce Owner Liability*	Streamline Ability to Address CIPs	Benefits Pursued Without Change of Organizational structure	Opportunity to Address Systemic Issues	Opportunity to Address Voting Concepts	Opportunity to Better Define the Problem(s) to be Solved	Opportunity to Address Better Coordination of Funding Capital Expenses
CLB	Unable to determine benefits due to lack of detail provided											
CSC		✓	✓	✓		✓						
EBSD	✓											
ETWD		✓					✓					
MNWD		✓	✓	✓		✓	✓					
SMWD		✓	✓	✓	✓		✓		✓	✓	✓	✓
SCWD						✓			✓	✓	✓	✓
SOCWA Staff												
TCWD	✓		✓					✓				

Table 6. Risks

Agency	Loss of Voting Power	Loss of Cost Control/ Capacity in TP's and/or Outfall	Impact to Regulatory Permits	Loss of Input for Operations	Impacts From Delayed Response to Expiring Agreement	Liability/ Risk Transfer	Ownership Financing	Costs Could Increase	SOCWA Staff Retention*	Loss of Grant Funding	Regional Water Use Planning Could be Enhanced or Reduced	May Need to Extend PC2 Agreement to Enable Time to Resolve Issues	May Require More Complicated Agreements to Protect Current Member Agency Rights
CLB	✓		✓	✓		✓				✓	✓		
CSC		✓		✓									
EBSD	✓		✓	✓		✓		✓	✓				
ETWD							✓	✓					
MINWD						✓		✓					
SMWD					✓	✓							
SCWD						✓		✓	✓			✓	✓
SOCWA Staff	See SOCWA Staff Task Force Answers for Facilitated Discussions												
TCWD								✓					



Table 7. Other Organizational Proposals

Agency	Evaluate Status-Quo Proposal	Independent Special District with Own Board, Weighted Voting	Restructure JPA to Debt Finance, Set Level of Service, Protect Voting Rights, IRWM	SCWD Operation of CTP & JBL Treatment Plants	Baker Plant Model	Need to Address Outfall Infrastructure In Any Proposal Considered	AWMA Model if Current Form not Maintained	OC Sanitation District or Other Sanitation District Model	Operating Efficiency Could Be Negatively Impacted By Transfer Proposal	Examine Liability Implications of Changing Operations By Neutral 3 <sup>rd</sup> Party to Individual Agencies	SOCWA Agencies Need to Consider Requiring Elected Official to Serve On Board	Policy Should Be Adopted That Limit Member Agency Staff From Contacting SOCWA Staff Directly
CLB	✓						✓					
CSC						✓						
EBSD	✓											
ETWD					✓				✓	✓		✓
MNWD		Task Force looked at several options including the AWMA/SERRA model, but none addressed the shared liability issues. They are open to modifications and enhancements to the proposal.										
SMWD		✓										
SCWD			✓	✓								
SOCWA Staff												
TCWD								✓				



Table 8. Other Operational Proposal or Governance Structure

Agency	Open to Discussion of Proposals Other Than Current Operational Modality	Statutory Options for Similar Organizations as Recommended by Legal Experts
CLB	✓	
CSC	✓	
EBSD	✓	
ETWD	✓	
MNWD	✓	
SMWD	✓	
SCWD	✓	
SOCWA Staff		✓
TCWD	✓	