

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

**January 20, 2026  
10:30 a.m.**

NOTICE IS HEREBY GIVEN that a Regular Meeting of the South Orange County Wastewater Authority (SOCWA) Finance Committee was called to be held on **January 20, 2026, at 10:30 a.m.** SOCWA staff will be present and conducting the meeting at the SOCWA Administrative Office located at 34156 Del Obispo Street, Dana Point, California.

THE SOCWA MEETING ROOM IS WHEELCHAIR ACCESSIBLE. IF YOU REQUIRE ANY SPECIAL DISABILITY RELATED ACCOMMODATIONS, PLEASE CONTACT THE SOUTH ORANGE COUNTY WASTEWATER AUTHORITY SECRETARY'S OFFICE AT (949) 234-5400 AT LEAST SEVENTY-TWO (72) HOURS PRIOR TO THE SCHEDULED MEETING TO REQUEST SUCH ACCOMMODATIONS. THIS AGENDA CAN BE OBTAINED IN ALTERNATE FORMAT UPON REQUEST TO THE SOUTH ORANGE COUNTY WASTEWATER AUTHORITY'S SECRETARY AT LEAST SEVENTY-TWO (72) HOURS PRIOR TO THE SCHEDULED MEETING. MEMBERS OF THE PUBLIC HAVE THE OPTION TO PARTICIPATE IN AND MAY JOIN THE MEETING REMOTELY VIA VIDEO CONFERENCE FOR VISUAL INFORMATION ONLY (USE ZOOM LINK BELOW) AND BY TELECONFERENCE FOR AUDIO PARTICIPATION (USE PHONE NUMBERS BELOW). THIS IS A PHONE-CALL MEETING AND NOT A WEB-CAST MEETING, SO PLEASE REFER TO AGENDA MATERIALS AS POSTED ON THE WEBSITE AT [www.socwa.com](http://www.socwa.com), ON YOUR REQUEST, EVERY EFFORT WILL BE MADE TO ACCOMMODATE PARTICIPATION. FOR PARTIES PARTICIPATING REMOTELY, PUBLIC COMMENTS WILL BE TAKEN DURING THE MEETING FOR ORAL COMMUNICATION IN ADDITION TO PUBLIC COMMENTS RECEIVED BY PARTIES PARTICIPATING IN PERSON. COMMENTS MAY BE SUBMITTED PRIOR TO THE MEETING VIA EMAIL TO ASSISTANT SECRETARY LYNDA MAY AT [LMAY@SOCWA.COM](mailto:LMAY@SOCWA.COM) WITH THE SUBJECT LINE "REQUEST TO PROVIDE PUBLIC COMMENT." IN THE EMAIL, PLEASE INCLUDE YOUR NAME, THE ITEM YOU WISH TO SPEAK ABOUT, AND THE TELEPHONE NUMBER YOU WILL BE CALLING FROM SO THAT THE COORDINATOR CAN UN-MUTE YOUR LINE WHEN YOU ARE CALLED UPON TO SPEAK. THOSE MAKING PUBLIC COMMENT REQUESTS REMOTELY VIA TELEPHONE IN REAL-TIME WILL BE ASKED TO PROVIDE YOUR NAME, THE ITEM YOU WISH TO SPEAK ABOUT, AND THE TELEPHONE NUMBER THAT YOU ARE CALLING FROM SO THE COORDINATOR CAN UN-MUTE YOUR LINE WHEN YOU ARE CALLED UPON TO SPEAK. ONCE THE MEETING HAS COMMENCED, THE CHAIR WILL INVITE YOU TO SPEAK AND ASK THE COORDINATOR TO UN-MUTE YOUR LINE AT THE APPROPRIATE TIME.

AGENDA ATTACHMENTS AND OTHER WRITINGS THAT ARE DISCLOSABLE PUBLIC RECORDS DISTRIBUTED TO ALL, OR A MAJORITY OF, THE MEMBERS OF THE SOUTH ORANGE COUNTY WASTEWATER AUTHORITY FINANCE COMMITTEE IN CONNECTION WITH A MATTER SUBJECT FOR DISCUSSION OR CONSIDERATION AT AN OPEN MEETING OF THE FINANCE COMMITTEE ARE AVAILABLE FOR PUBLIC INSPECTION IN THE AUTHORITY ADMINISTRATIVE OFFICE LOCATED AT 34156 DEL OBISPO STREET, DANA POINT, CA ("AUTHORITY OFFICE") OR BY PHONE REQUEST MADE TO THE AUTHORITY OFFICE AT 949-234-5400. IF SUCH WRITINGS ARE DISTRIBUTED TO MEMBERS OF THE FINANCE COMMITTEE LESS THAN SEVENTY-TWO (72) HOURS PRIOR TO THE MEETING, THEY WILL BE AVAILABLE IN THE RECEPTION AREA OF THE AUTHORITY OFFICE AT THE SAME TIME AS THEY ARE DISTRIBUTED TO THE FINANCE COMMITTEE AND SENT TO ANY REMOTE PARTICIPANTS REQUESTING EMAIL DELIVERY OR POSTED ON SOCWA'S WEBSITE. IF SUCH WRITINGS ARE DISTRIBUTED IMMEDIATELY PRIOR TO, OR DURING, THE MEETING, THEY WILL BE AVAILABLE IN THE MEETING ROOM OR IMMEDIATELY UPON VERBAL REQUEST TO BE DELIVERED VIA EMAIL TO REQUESTING PARTIES PARTICIPATING REMOTELY.

**THE PUBLIC MAY PARTICIPATE REMOTELY BY VIRTUAL MEANS FOR AUDIO OF MEETING USE  
THE CALL IN PHONE NUMBERS BELOW AND FOR VIDEO USE THE ZOOM LINK BELOW.**

Join Zoom Meeting  
<https://socwa.zoom.us>

Meeting ID: 835 3069 3742  
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FINANCE COMMITTEE MEETING  
January 20, 2026

AGENDA

1. Call Meeting to Order

2. Public Comments

THOSE WISHING TO ADDRESS THE FINANCE COMMITTEE ON ANY ITEM LISTED ON THE AGENDA WILL BE REQUESTED TO IDENTIFY AT THE OPENING OF THE MEETING AND PRIOR TO THE CLOSE OF THE MEETING. THE AUTHORITY REQUESTS THAT YOU STATE YOUR NAME WHEN MAKING THE REQUEST IN ORDER THAT YOUR NAME MAY BE CALLED TO SPEAK ON THE ITEM OF INTEREST. THE CHAIR OF THE MEETING WILL RECOGNIZE SPEAKERS FOR COMMENT AND GENERAL MEETING DECORUM SHOULD BE OBSERVED IN ORDER THAT SPEAKERS ARE NOT TALKING OVER EACH OTHER DURING THE CALL.

3. Approval of Committee Member Request for Remote Participation (Standing Item)

**Recommended Action:** Committee Discussion/Direction and Action.

PAGE NO.

4. Approval of Minutes.....1

- Finance Committee Meeting of November 18, 2025

**Recommended Action:** Staff recommend that the Finance Committee approve the subject minutes as submitted.

5. Annual Financial Audit and Annual Use Audit .....4

**Recommended Action:** Committee Discussion, Direction, or Action

6. Internal Controls Review .....103

**Recommended Action:** Committee Discussion, Direction, or Action

7. SOCWA Financial Manual Draft Outline .....104

**Recommended Action:** Committee Discussion, Direction, or Action

8. Other Post-Employment Benefits (OPEB) Trust Account Annual Review .....107

**Recommended Action:** Staff recommends that the Finance Committee recommend that the Board of Directors receive and file the PARS report.

9. PC15 Special Fund Discussion .....154

**Recommended Action:** Committee Discussion, Direction, or Action

10. Engineering Capital Overrun Procedure Draft .....155

**Recommended Action:** Committee Discussion, Direction, or Action

11. Cost Allocation Policy .....156

**Recommended Action:** Committee Discussion, Direction, or Action

FINANCE COMMITTEE MEETING  
January 20, 2026

12. <u>Budget vs. Actuals for Q2, FY 25-26</u> .....	174
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14. <u>FY 26-27 Budget Assumptions</u> .....	188
<b>Recommended Action:</b> Committee Discussion, Direction, or Action	
15. <u>FY 26-27 Flows vs. Capacity Discussion</u> .....	190
<b>Recommended Action:</b> Committee Discussion, Direction, or Action	
16. <u>Adjournment</u>	

I hereby certify that the foregoing Notice was personally emailed or mailed to each member of the SOCWA Finance Committee at least 72 hours prior to the scheduled time of the Regular Meeting referred to above.

I hereby certify that the foregoing Notice was posted at least 72 hours prior to the time of the above-referenced Finance Committee meeting at the usual agenda posting location of the South Orange County Wastewater Authority and at [www.socwa.com](http://www.socwa.com).

Dated this 16th day of January 2026.

  
\_\_\_\_\_  
Lynda May, Assistant  
SOUTH ORANGE COUNTY WASTEWATER AUTHORITY

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

**Finance Committee**

**November 18, 2025**

**DRAFT**

The Special Meeting of the South Orange County Wastewater Authority (SOCWA) Finance Committee was held on November 18, 2025, at 10:30 a.m. in-person and via teleconference from the Administrative Offices located at 34156 Del Obispo Street, Dana Point, California. The following members of the Finance Committee were present:

GAVIN CURRAN	City of Laguna Beach	Alternate Director
KATHRYN FRESHLEY	El Toro Water District	Director
ERICA CASTILLO	South Coast Water District	Alternate Director
PAUL PENDER	Santa Margarita Water District	Alternate Director

**Staff Participation:**

AMBER BOONE	General Manager
JIM BURROR	Deputy GM/Chief Engineer
JACK BECK	Accountant
ANNA SUTHERLAND	Staff Accountant
RONI GRANT	Capital Improvement Program Manager
MATT CLARKE	Chief Technology Officer
LYNDA MAY	Administrative Assistant/ Assistant Secretary

**Also Participating:**

ADRIANA OCHOA	Snell & Wilmer
JENNIFER LOPEZ	South Coast Water District
JOE MULLER	South Coast Water District
KELSEY DECASAS	Moulton Niguel Water District

**1. Call Meeting to Order**

Chairperson Paul Pender called the meeting to order at 10:32 a.m.

**2. Public Comments**

None.

**3. Approval of Committee Member Request for Remote Participation (Standing Item)**

None.

**4. Approval of Minutes**

- Finance Committee Meeting of September 16, 2025.

**ACTION TAKEN**

A motion was made by Director Freshley and seconded by Director Castillo to approve the Minutes for September 16, 2025, as submitted.

Motion carried:	Aye 4, Nay 0, Abstained 0, Absent 0
Director Curran	Aye
Director Freshley	Aye
Director Pender	Aye
Director Castillo	Aye

**5. Financial Reports for Q1 FY 25/26**

**ACTION TAKEN**

A motion was made by Director Curran and seconded by Director Castillo to recommend that the Board of Directors receive and file the Q1 FY 25/26 Financial Reports.

Motion carried:	Aye 4, Nay 0, Abstained 0, Absent 0
Director Curran	Aye
Director Freshley	Aye
Director Pender	Aye
Director Castillo	Aye

**6. Finance Committee Bylaws**

An open discussion ensued regarding Virtual Meetings and provisions of SB 707. The benefits of virtual meetings was widely agreed on, though no one intends to use this option proactively. Director Freshley countered with a preference for in person meetings only. Discussion will continue at the Board Meeting in December. Ms. Amber Boone clarified that the Finance Committee will remain at 4 members with 3 as quorum.

**7. Annual Financial Audit Update**

An open discussion ensued regarding the timeline of distributing the audit to member agencies, and the legality of submitting the audit directly to the Board of Directors without having to go to the Finance Committee first.

**8. Financial Policies Update**

An open discussion ensued regarding revisions, additions, and clarifications to the following SOCWA policies:

- Capitalization and Depreciation of Facilities & Equipment
- Cost Allocation Policy
- Disposal of Surplus Property
- External Auditor Policy
- Travel and Expense Reimbursement Policy
- Vehicle Charging Policy

The Finance Committee reviewed the newly added Vehicle Charging Policy. Comments, and adjustments were discussed with the Cost Allocation Policy.

ACTION TAKEN

A motion was made by Director Castillo and seconded by Director Curran to recommend that the Finance Committee recommend the updated policies to the Board of Directors for inclusion into the SOCWA Policy Handbook.

Motion carried:	Aye 4, Nay 0, Abstained 0, Absent 0
Director Curran	Aye
Director Freshley	Aye
Director Pender	Aye
Director Castillo	Aye

9. Quarterly Investment Reporting Under Government Code Section 53646

Ms. Amber Boone updated the committee that Moulton Niguel Water District will be providing monies, and a discussion on where the funds will be invested will take place at the next Finance Committee meeting.

10. Adjournment

There being no further business, Chairperson Pender adjourned the meeting at 11:49 a.m.

I HEREBY CERTIFY that the foregoing Minutes are a true and accurate copy of the Minutes of the Special Meeting of the South Orange County Wastewater Authority Finance Committee of November 18, 2025, and approved by the Finance Committee and received and filed by the Board of Directors of the South Orange County Wastewater Authority.

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Lynda May/ Assistant Secretary  
SOUTH ORANGE COUNTY WASTEWATER AUTHORITY

# Agenda Item

5

Finance Committee Meeting

Meeting Date: January 20, 2026

**TO:** Finance Committee

**FROM:** Amber Boone, General Manager

**SUBJECT:** Annual Financial Statements and Independent Audit for Fiscal Years Ending June 30, 2024, and 2025 and Annual Use Audit

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## Summary/Discussion

The annual Financial Statements Audit for FY 2024-25 are presented as follows:

- Basic Financial Statements and Independent Auditor's Report for FY Ending June 30, 2024, and 2025

At the January 8, 2026 Board meeting, the SOCWA Board requested that the Finance Committee review the following list with subsequent details included in the remainder of this staff report or more directly in additional agenda items.

1. Basic Financial Statements
  - a. Letter to the Board of Directors (p.3) stated: "Management has omitted the management's discussion and analysis that accountint principles generally accepted in the United States of America to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing basic financial statements in an appropriate operational, economic, or historical context. Out opinion on the basic financial statements is not affected by this missing information."
2. Restricted Funds
  - a. PC15 Agenda item will support this discussion.
3. PC17 \$40M Net Book Value
  - a. A review of the \$40M book value brought up by ETWD to be discussed.
4. Internal Control Findings
  - a. Internal Control Agenda item will support this discussion.
5. Use Audit
  - a. Mid-Year budget adjustment finding and distribution of funds discussion.

**Recommended Action:** Board discussion, direction, and action.

Attachments:

- Annual Basic Financial Statements and the Independent Auditor's Report for FY 2024, and 2025
- The Auditor's Governance Letter
- The Auditor's Letter on Internal Controls is included in the Financial Package
- The Auditor's Management Letter
- Annual Use Audit

# **Basic Financial Statements and Independent Auditor's Report**

**FOR THE FISCAL YEARS ENDED June 30, 2025 and 2024**



**South Orange County Wastewater Authority**  
34156 DEL OBISPO STREET, DANA POINT, CALIFORNIA 92629

**South Orange County Wastewater Authority**  
**Basic Financial Statements**  
**For the Years Ended June 30, 2025 and 2024**

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# **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

[www.pungroup.cpa](http://www.pungroup.cpa)



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

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of the business-type activities of the South Orange County Wastewater Authority (the “Authority”) as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2025 and 2024, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (“GAAS”) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (“*Government Auditing Standards*”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Emphasis of a Matter*

##### Change in Accounting Principle

As discussed in Notes 2 and 17 to the financial statements, the Authority adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences* during the year ended June 30, 2025. The adoption of this standard resulted in the restatement of the Authority’s net position as of June 30, 2024. Our opinion is not modified with respect to this matter.

##### Special Items

As discussed in Note 15 to the financial statements, during the fiscal year ended June 30, 2025, the Authority completed non routine transfers related to Project Committee 10 (PC 10) and Project Committee 17 (PC 17). These transactions resulted in special items consisting of a loss on the PC 10 transfer of \$1,694,564, a net loss on the PC 17 transfer of \$17,813,850 comprised of a loss on disposal of PC 17 capital assets of \$39,313,850 and a gain on the PC 17 transfer selling price of \$21,500,000, and member agency distribution payments of \$9,000,000, for total special items of \$28,508,414, which are reported in the statement of revenues, expenses, and changes in fund net position. Our opinion is not modified with respect to this matter.

To the Board of Directors  
of the South Orange County Wastewater Authority  
Dana Point, California  
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### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

To the Board of Directors  
of the South Orange County Wastewater Authority  
Dana Point, California  
Page 3

### ***Required Supplementary Information***

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

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2025 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority's internal control over financial reporting and compliance.

*The Perl Group, LLP*

Santa Ana, California  
December 29, 2025

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## ***Basic Financial Statements***

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**South Orange County Wastewater Authority**  
**Statements of Net Position**  
**June 30, 2025 and 2024**

ASSETS	2025	2024 (Restated)
<b>Current assets:</b>		
Cash and investments (Note 3)	\$ 14,656,683	\$ 15,261,326
Receivables:		
Accounts	14,000	62,612
Note (Note 4)	7,166,667	-
Legal settlement (Note 11)	-	1,060,041
Due from member and contracted agencies (Note 12)	2,123,669	986,554
Interest	117,012	159,130
Total receivable, net	<u>9,421,348</u>	<u>2,268,337</u>
Prepaid items	<u>250,557</u>	<u>298,706</u>
<b>Total current assets</b>	<u>28,495,254</u>	<u>17,828,369</u>
<b>Noncurrent assets:</b>		
Restricted cash and investments withheld by the Agency (Note 3)	4,166,666	-
Receivables:		
Note (Note 4)	7,166,667	-
Capital assets:		
Nondepreciable (Note 5)	31,800,696	34,337,020
Depreciable, net (Note 5)	83,221,374	122,477,221
Intangible assets, net (Note 5)	115,111	158,377
Total noncurrent assets	<u>122,303,848</u>	<u>156,972,618</u>
<b>Total assets</b>	<u>150,799,102</u>	<u>174,800,987</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pensions (Note 8)	5,558,264	7,507,318
Other postemployment benefits (Note 7)	<u>2,717,909</u>	<u>1,025,922</u>
<b>Total deferred outflows of resources</b>	<u>8,276,173</u>	<u>8,533,240</u>
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable	2,179,150	3,098,403
Retention payable	4,719	28,523
Due to member and contracted agencies (Note 12)	2,982,982	2,354,300
Accrued payroll and related liabilities	205,728	418,503
Distribution payable to member agencies - due within one year (Note 4)	3,000,000	-
Compensated absences - due within one year (Note 6)	230,989	300,364
Lease and SBITA liability - due within one year (Note 7)	51,018	49,528
<b>Total current liabilities</b>	<u>8,654,586</u>	<u>6,249,621</u>
<b>Noncurrent liabilities:</b>		
Legal settlement payable (Note 11)	1,062,694	1,062,694
Distribution payable to member agencies - due in more than one year (Note 4)	3,000,000	-
Compensated absences - due in more than one year (Note 6)	447,732	599,662
Lease and SBITA liability - due in more than one year (Note 7)	54,804	105,822
Net other postemployment benefits liability (Note 8)	6,748,770	4,963,332
Net pension liability (Note 9)	19,599,505	19,716,589
<b>Total noncurrent liabilities</b>	<u>30,913,505</u>	<u>26,448,099</u>
<b>Total liabilities</b>	<u>39,568,091</u>	<u>32,697,720</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pensions (Note 9)	564,556	1,016,719
Other postemployment benefits (Note 8)	<u>858,145</u>	<u>874,050</u>
<b>Total deferred inflows of resources</b>	<u>1,422,701</u>	<u>1,890,769</u>
<b>NET POSITION</b>		
Net investment in capital assets (Note 13)	115,026,640	156,788,745
Restricted net position (Note 13)	12,500,000	-
Unrestricted (deficit)	(9,442,157)	(8,043,007)
<b>Total net position</b>	<u>\$ 118,084,483</u>	<u>\$ 148,745,738</u>

See accompanying Notes to the Financial Statements.

**South Orange County Wastewater Authority**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**For the Years Ended June 30, 2025 and 2024**

	<b>2024</b>	<b>2025</b>	<b>(Restated)</b>
<b>OPERATING REVENUES:</b>			
O&M Member Agency Assessments :			
City of Laguna Beach	\$ 2,267,898	\$ 3,249,953	
City of San Clemente	254,699	256,108	
Emerald Bay Service District	189,219	183,442	
El Toro Water District	699,381	1,032,510	
Irvine Ranch Water District	150,464	178,929	
Moulton Niguel Water District	7,369,295	10,045,236	
South Coast Water District	4,529,385	4,599,931	
Santa Margarita Water District	6,009,375	5,528,134	
Total O&M Member Agency Assessments	<u>21,469,716</u>	<u>25,074,243</u>	
<b>Total Operating Revenues</b>	<u>21,469,716</u>	<u>25,074,243</u>	
<b>OPERATING EXPENSES:</b>			
O&M, environmental, compliance and safety	16,907,805	20,869,380	
Engineering after capital transfer	87,844	242,668	
Administration	2,331,706	2,152,651	
Unallocated portion of pension, OPEB and accrued payroll related liabilities	3,585,730	2,568,058	
Other expense	3,751,457	1,245,297	
Depreciation and amortization	7,222,978	8,830,175	
<b>Total Operating Expenses</b>	<u>33,887,520</u>	<u>35,908,229</u>	
<b>Operating (Loss)</b>	<u>(12,417,804)</u>	<u>(10,833,986)</u>	
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
Interest income	691,854	561,064	
Interest expense	(4,242)	(5,325)	
Severance member agency billings	-	420,041	
Other revenues	2,828,895	1,289,750	
<b>Total Non-Operating Revenue (Expenses)</b>	<u>3,516,507</u>	<u>2,265,530</u>	
<b>CAPITAL CONTRIBUTIONS FROM MEMBER AGENCIES:</b>			
Member Agency Assessments and Severances:			
City of Laguna Beach	1,112,555	1,731,979	
City of San Clemente	-	22,003	
Emerald Bay Service District	77,263	105,539	
El Toro Water District	75,415	283,382	
Irvine Ranch Water District	19,419	149,523	
Moulton Niguel Water District	1,342,426	3,214,405	
South Coast Water District	2,127,928	2,074,487	
Santa Margarita Water District	1,993,450	2,116,640	
Total Member Agency Assessments and Severances	<u>6,748,456</u>	<u>9,697,958</u>	
<b>Total Capital Contributions from Member Agencies</b>	<u>6,748,456</u>	<u>9,697,958</u>	
<b>Change in Net Position before Special Items</b>	<u>(2,152,841)</u>	<u>1,129,502</u>	
<b>SPECIAL ITEMS:</b>			
Loss on PC10 Transfer (Note 15)	(1,694,564)	-	
Loss on PC17 Transfer (Note 15):			
Loss on disposal of PC17 capital asset	(39,313,850)	-	
PC17 transfer selling price	21,500,000	-	
Member agencies distribution payments (Note 15)	(9,000,000)	-	
<b>Total special items</b>	<u>(28,508,414)</u>	<u>-</u>	
<b>Change in Net Position</b>	<u>(30,661,255)</u>	<u>1,129,502</u>	
<b>NET POSITION:</b>			
Beginning of year	148,745,738	147,582,696	
Change in accounting principle (GASB 101)		33,540	
Beginning of year, as restated (Note 17)	148,745,738	147,616,236	
End of year	<u>\$ 118,084,483</u>	<u>\$ 148,745,738</u>	

**South Orange County Wastewater Authority**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2025 and 2024**

	<b>2025</b>	<b>2024 (Restated)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash receipts from member agencies	\$ 20,381,213	\$ 25,848,174
Cash payments to vendors and suppliers for operations	(19,198,707)	(19,711,659)
Cash payments to employees for services	(5,648,747)	(7,258,679)
<b>Net cash provided by (used in) operating activities</b>	<b>(4,466,241)</b>	<b>(1,122,164)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Proceeds from severance member agency billings	-	420,041
Cash payments for distribution to member agency	(3,000,000)	-
Proceeds from grant revenue	2,828,895	1,289,750
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>(171,105)</b>	<b>1,709,791</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Contributions received from Member Agencies for capital use	6,748,456	9,697,958
Acquisition of capital assets	(6,395,956)	(4,797,617)
Proceed from sale of capital assets	7,166,667	-
Principal paid on leases and subscriptions	(49,528)	(48,446)
Interest paid on leases and subscriptions	(4,242)	(5,325)
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>7,465,397</b>	<b>4,846,570</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment earnings	733,972	459,524
<b>Net cash provided by (used in) investing activities</b>	<b>733,972</b>	<b>459,524</b>
<b>Net change in cash and cash equivalents</b>	<b>3,562,023</b>	<b>5,893,721</b>
<b>CASH AND CASH EQUIVALENTS:</b>		
Beginning of year	15,261,326	9,367,605
End of year	<b>\$ 18,823,349</b>	<b>\$ 15,261,326</b>
<b>RECONCILIATION OF NET OPERATING (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:</b>		
Net Operating (Loss)	\$ (12,417,804)	\$ (10,833,986)
Adjustments to reconcile net operating (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	7,222,978	8,830,175
Changes in operating assets and liabilities:		
Accounts receivable	48,612	603,741
Due from Member Agencies	(1,137,115)	170,190
Prepaid items	48,149	28,706
Pensions related deferred outflows of resources	1,949,054	102,412
OPEB related deferred outflows of resources	(1,691,987)	(367,032)
Accounts payable	(966,861)	(58,471)
Retention payable	23,804	-
Legal settlement (net)	1,060,041	2,653
Due to Member Agencies	628,682	(489,364)
Accrued payroll liabilities	(212,775)	(247,431)
Compensated absences	(221,305)	133,923
Net OPEB liability	1,785,438	188,695
Net pension liability	(117,084)	1,423,658
Pensions related deferred inflows of resources	(452,163)	(583,594)
OPEB related deferred inflows of resources	(15,905)	(26,439)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (4,466,241)</b>	<b>\$ (1,122,164)</b>
<b>NON CASH ITEM FROM INVESTING ACTIVITIES</b>		
Capital contributions	\$ -	\$ 360,157
Loss on disposal of PC10 capital assets	(1,694,564)	-
Loss on disposal of PC17 capital assets	(39,313,850)	-
Notes receivable set up due to PC17	21,500,000	-
Distribution payables to member agencies	(9,000,000)	-
Issuance of subscription liability	-	14,486
Unrealized gain (loss) on investments	-	11,585
	<b>\$ (28,508,414)</b>	<b>\$ 386,228</b>

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## **Notes to the Basic Financial Statements**

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**South Orange County Wastewater Authority**  
**Index to the Notes to the Financial Statements**  
**For the Years Ended June 30, 2025 and 2024**

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The notes to the financial statements include a summary of significant accounting policies and other information considered essential to fully disclose and fairly present the transactions and financial position of the Authority, as follows:

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# **South Orange County Wastewater Authority**

## **Notes to the Financial Statements**

**For the Years Ended June 30, 2025 and 2024**

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### **Note 1 – Reporting Entity**

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

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

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

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

The Authority is comprised of the following six member agencies as of June 30, 2025:

- City of Laguna Beach ("CLB")
- City of San Clemente ("CSC")
- Emerald Bay Service District ("EBSD")
- El Toro Water District ("ETWD")
- South Coast Water District ("SCWD")
- Santa Margarita Water District ("SMWD")

Effective July 1, 2023, Irvine Ranch Water District (IRWD)'s ownership capacity and ongoing financial obligations were assumed by the ETWD. IRWD is shown as a member agency for financial tracking purposes only.

Effective December 12, 2024, Moulton Niguel Water District (MNWD) withdrew from the Authority. MNWD assumed ownership of certain Regional Treatment Plant improvements and related interests pursuant to executed transfer agreements. MNWD is shown as a member agency for financial tracking purposes only.

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

# **South Orange County Wastewater Authority**

## **Notes to the Financial Statements (Continued)**

**For the Years Ended June 30, 2025 and 2024**

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### **Note 2 – Summary of Significant Accounting Policies**

#### **Basis of Presentation**

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

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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

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

#### **Cash, Cash Equivalents, and Investments**

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

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

# **South Orange County Wastewater Authority**

## **Notes to the Financial Statements (Continued)**

**For the Years Ended June 30, 2025 and 2024**

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### **Note 2 – Summary of Significant Accounting Policies (Continued)**

#### **Receivables, Due from Member Agencies, and Allowance for Doubtful Accounts**

Accounts receivable consist of amounts owed by member agencies rendered in the regular course of business operations. All of the Authority's costs are funded by the member agencies that are served; therefore, SOCWA does not have doubtful accounts. Due from Member Agencies are actual costs that are greater than amounts invoiced based on the annual budget or Capital Projects forecast.

#### **Prepaid Items**

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

#### **Capital Assets**

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

Buildings	3 to 50 years
Building Improvements	3 to 25 years
Computer Hardware	3 to 10 years
Computer Software	3 to 10 years
Furniture and Fixtures	5 to 10 years
Infrastructure	3 to 50 years
Machinery and Equipment	3 to 20 years
Vehicles	3 to 10 years

Capital expenditures are recorded as construction-in-progress (CIP) and capitalized as a Capital Asset once all costs have been recorded and the asset has been placed in service. Repairs and maintenance costs are expensed.

#### **Deferred Outflows of Resources and Deferred Inflows of Resources**

The Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable. Deferred Outflows of Resources represent a consumption of net assets that applies to future periods. Deferred Inflows of Resources represent an acquisition of net assets that applies to future periods.

#### **Due to Member Agencies**

Due to Member Agencies represents amounts that the Authority owes to its member agencies, arising from regular business operations. These amounts reflect actual costs that are lower than the amounts invoiced based on the annual budget or Capital Projects forecast, resulting in overpayments by the member agencies. Such overpayments are treated as current liabilities, with the understanding that the Authority is accountable to settle these amounts with the respective member agencies.

# **South Orange County Wastewater Authority**

## **Notes to the Financial Statements (Continued)**

**For the Years Ended June 30, 2025 and 2024**

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### **Note 2 – Summary of Significant Accounting Policies (Continued)**

#### **Lease Assets and Liabilities**

The Authority has a policy to recognize a lease liability and a right-to-use lease asset (lease asset) in the financial statements. The Authority recognizes lease liabilities with an initial, individual present value of \$5,000 or more with a lease term greater than one year. Variable payments based on future performance of the lessee or usage of the underlying asset are not included in the measurement of the lease liability.

At the commencement of a lease, the Authority initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made.

The right to use the lease assets are recorded at the amount of the initial measurement of the lease liabilities and modified by any lease payments made to the lessor at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term along with any initial direct costs that are ancillary charges necessary to place the lease assets into service. Lease assets are amortized using the straight-line method over the shorter of the lease term or the useful life of the underlying asset, unless the lease contains a purchase option that the Authority has determined is reasonably certain of being exercised. In this case, the lease asset is amortized over the useful life of the underlying asset.

Key estimates and judgments related to leases include how the Authority determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

The Authority uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Authority generally uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Authority is reasonably certain to exercise.

The Authority monitors changes in circumstances that would require a remeasurement of its lease and will remeasure any lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Right to use the lease assets are reported as intangible assets along with other capital assets and lease liabilities are reported with long-term liabilities on the statement of net position.

#### **Subscription Based Information Technology Arrangements (“SBITA”) Assets and Liabilities**

The Authority has a policy to recognize a SBITA liability and a right-to-use subscription asset (SBITA asset) in the financial statements with an initial, individual value of \$5,000 or more with a subscription term greater than one year. At the commencement of a subscription, when the subscription asset is placed into service, the SBITA liability is measured at the present value of payments expected to be made during the subscription term. Future subscription payments are discounted using the Authority's incremental borrowing rate and the Authority recognizes amortization of the discount on the subscription liability as interest expense in subsequent financial reporting periods.

SBITA assets are measured as the sum of the initial subscription liability, payments made to the SBITA vendor before the commencement of the lease term, and capitalizable implementation costs less any incentives received from the SBITA vendor at or before the commencement of the subscription term. Subscription assets are amortized using the straight-line method over the subscription term.

# **South Orange County Wastewater Authority**

## **Notes to the Financial Statements (Continued)**

**For the Years Ended June 30, 2025 and 2024**

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### **Note 2 – Summary of Significant Accounting Policies (Continued)**

#### **Subscription Based Information Technology Arrangements (“SBITA”) Assets and Liabilities (Continued)**

Key estimates and judgments related to SBITAs include how the Authority determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

The Authority uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the Authority generally uses its estimated incremental borrowing rate as the discount rate for SBITAs.

The subscription term includes the period during which the Authority has a noncancelable right to use the underlying IT asset. The subscription term also includes periods covered by an option to extend if it is reasonably certain to be exercised.

Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option years that the Authority is reasonably certain to exercise. The Authority monitors changes in circumstances that would require a remeasurement of a subscription and will remeasure any subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Right-to-use subscription assets are reported along with other capital assets and subscription liabilities are reported on the statement of net position.

#### **Compensated Absences**

The liability for compensated absences is recognized as leave is earned, based on the employee's pay rate in effect at the financial statement date, including any applicable salary-related costs. The liability includes only leave attributable to services already rendered and that is more likely than not to be paid. Sick leave is accrued only to the extent the amounts are more likely than not to be paid in accordance with the Authority's sick leave payout provisions. Compensated absences are reported in the statement of net position as the portion due within one year and the portion due after one year.

Under GASB 101, a liability must be recognized for leave that is attributable to services already rendered, accumulates and carries forward to future periods, and is more likely than not to be used or paid. This represents a shift from previous guidance, particularly in how likelihood and eligibility are assessed.

#### **Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans (Note 8). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value. The following timeframes are used for pension reporting:

For the Year Ended	June 30, 2025	June 30, 2024
Valuation Date	June 30, 2023	June 30, 2022
Measurement Date	June 30, 2024	June 30, 2023
Measurement Period	July 1, 2023 to June 30, 2024	July 1, 2022 to June 30, 2023

# South Orange County Wastewater Authority

## Notes to the Financial Statements (Continued)

For the Years Ended June 30, 2025 and 2024

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### Note 2 – Summary of Significant Accounting Policies (Continued)

#### Pensions (Continued)

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

#### Other Postemployment Benefits

For purposes of measuring the net other postemployment benefits (“OPEB”) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Authority’s Retiree Benefits Plan (“OPEB Plan”) and additions to/deductions from OPEB Plan’s fiduciary net position have been determined on the same basis as they are reported by the Plan (Note 7). For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments, which are reported at amortized cost.

The following timeframes are used for OPEB reporting:

For the Year Ended	June 30, 2025	June 30, 2024
Valuation Date	January 1, 2025	January 1, 2023
Measurement Date	June 30, 2025	June 30, 2024
Measurement Period	July 1, 2024 to June 30, 2025	July 1, 2023 to June 30, 2024

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

#### Net Position

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

**Net Investment in Capital Assets** – This component of net position consists of capital assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of debt that are attributable to the acquisition of those assets.

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

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

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

# South Orange County Wastewater Authority

## Notes to the Financial Statements (Continued)

For the Years Ended June 30, 2025 and 2024

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### Note 2 – Summary of Significant Accounting Policies (Continued)

#### Basis for Member Assessments

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

#### Use of Estimates

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

#### Implementation of New GASB Pronouncements

There are two new GASB pronouncements effective in Fiscal Year ended June 30, 2025:

**GASB Statement No. 101** – In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Implementation of this Statement resulted in a restatement of the beginning fund balance as of July 1, 2024, as presented in Note 15.

**GASB Statement No. 102** – In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints which may limit a government's ability to acquire resources or control spending. The Authority has evaluated its exposure to financial risk stemming from concentrations and constraints. Management has determined that no concentration exists for the fiscal year ended June 30, 2025.

### Note 3 – Cash and Investments

At June 30, 2025 and 2024, the Authority's cash and investments were comprised of the following:

	June 30, 2025	June 30, 2024
Petty cash	\$ 1,600	\$ 1,600
Demand deposits	4,408,159	1,818,077
Local Agency Investments Fund	14,413,590	13,441,649
Total cash and investments	<u><u>\$ 18,823,349</u></u>	<u><u>\$ 15,261,326</u></u>

#### A. Demand Deposits

At June 30, 2025 and 2024, the carrying amount of demand deposits were \$4,408,159 and \$1,818,077, respectively. Bank balances at that date were \$4,463,850 and \$2,082,679, the total amount of which was fully insured and/or collateralized with securities held by the pledging financial institutions in the Authority's name as discussed below. The California Government Code requires California banks and savings and loan associations to secure the Authority's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the Authority's name.

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2025 and 2024**

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**Note 3 – Cash and Investments (Continued)**

**A. Demand Deposits (Continued)**

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

**B. Restricted Cash**

As of June 30, 2025, the Authority held \$4,166,666 that is restricted for Project Committee 15 (PC 15) future capital projects in accordance with the transfer arrangement described in Note 13. These funds are restricted for specified capital purposes and are not available for general operations. As of June 30, 2024, the Authority had no restricted cash.

**C. Investments**

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

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

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

**D. Investment in Local Agency Investment Fund**

The Authority is a participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. As of June 30, 2025 and 2024, the Authority had \$14,413,590 and \$13,441,649 invested in LAIF. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. LAIF is reported at amortized cost, which approximates fair value.

**E. Fair Value Measurement**

The Authority categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of June 30, 2025 and 2024, the Authority's investment portfolio consisted of \$14,413,590 and \$13,441,649 invested in the State of California Local Agency Investment Fund, which is valued at amortized cost and "uncategorized" under the fair value hierarchy.

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2025 and 2024**

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**Note 3 – Cash and Investments (Continued)**

**F. Risk Disclosures**

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity its fair value will be to changes in market interest rates. In accordance with the Authority's Investment Policy, the Authority manages its exposure to interest rate risks by placing all deposits of member agency funds in passbook savings account demand deposits that are federally insured and additionally in the State of California Local Agency Investment Fund ("LAIF") for deposits up to \$75 million where investments may be made by the State Treasurer in accordance with the above guidelines. For any held funds over \$75 million, investments may be made in negotiable certificates of deposits, U.S. Treasury Notes and other JPA Investment Programs allowable under State statute.

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

**Disclosures Relating to Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of June 30, 2025 and 2024, the Authority's investment portfolio consisted of \$14,413,590 and \$13,441,649 invested in the State of California Local Agency Investment Fund, which is not rated.

**Disclosures Relating to Custodial Credit Risk**

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

**Note 4 – Note Receivable and Distribution Payable related to PC 17 Transfer**

In connection with MNWD's withdrawal from the Authority and the related transfer of Regional Treatment Plant assets and capacity rights, the Authority entered into an Asset and Capacity Transfer Agreement dated December 9, 2024. Under this agreement, MNWD remitted a Transfer Price of \$21,500,000 to the Authority, which was used in determining the loss on disposal of assets recorded by the Authority.

As of June 30, 2025, the Authority reported a note receivable of \$14,333,334, comprised of \$7,166,667 included in current assets and \$7,166,667 included in noncurrent assets. The note receivable represents the unpaid portion of the PC 17 transfer price due from MNWD under the applicable transfer agreements. The transfer and related loss are disclosed as special item under Note 15.

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2025 and 2024**

**Note 4 – Note Receivable and Distribution Payable related to PC 17 Transfer (Continued)**

In connection with the PC 17 transfer proceeds, the Authority entered into a Memorandum of Understanding (MOU) among the remaining member agencies regarding the allocation of certain amounts received from MNWD. Under the MOU, the Authority is responsible for administering payments totaling \$9,000,000 to the remaining member agencies. These amounts are not part of the Transfer Price and were not included in the loss on disposal calculation.

As of June 30, 2025, the Authority reported an allocation payable comprised of \$3,000,000 included in current liabilities and \$3,000,000 included in noncurrent liabilities. An additional \$3,000,000 was paid to member agencies on January 9, 2025.

**Note 5 – Capital Assets**

The summary of changes in capital assets for the year ended June 30, 2025 was as follows:

	Balance July 1, 2024	Additions	Deletions	Transfer	Balance June 30, 2025
<b>Tangible capital assets, not depreciated</b>					
Land	\$ 14,402,224	\$ -	\$ (6,589,000)	\$ -	\$ 7,813,224
Construction In Progress	19,934,796	6,386,028	-	(2,333,352)	23,987,472
<b>Total tangible capital assets, not depreciated</b>	<b>34,337,020</b>	<b>6,386,028</b>	<b>(6,589,000)</b>	<b>(2,333,352)</b>	<b>31,800,696</b>
<b>Tangible capital assets, being depreciated</b>					
Buildings	10,727,125	-	(4,780,410)	-	5,946,715
Buildings Improvements	14,717,448	-	(6,866,000)	252,570	8,104,018
Computer Hardware	2,153,848	-	(673,693)	21,826	1,501,981
Computer Software	299,703	-	(102,074)	-	197,629
Furniture and Fixtures	160,036	-	-	-	160,036
Infrastructure	179,681,709	-	(38,777,799)	1,007,549	141,911,459
Machinery and Equipment	160,619,467	-	(55,463,569)	1,051,407	106,207,305
Vehicles	1,709,587	-	(213,771)	-	1,495,816
<b>Total tangible capital assets, being depreciated</b>	<b>370,068,923</b>	<b>-</b>	<b>(106,877,316)</b>	<b>2,333,352</b>	<b>265,524,959</b>
<b>Less accumulated depreciation on tangible assets</b>					
Buildings	(8,089,842)	(133,038)	3,812,544	-	(4,410,336)
Buildings Improvements	(5,821,745)	(372,776)	3,369,403	-	(2,825,118)
Computer Hardware	(1,719,200)	(92,332)	505,455	-	(1,306,077)
Computer Software	(254,390)	(17,009)	96,413	-	(174,986)
Furniture and Fixtures	(160,036)	-	156,692	-	(3,344)
Infrastructure	(130,665,329)	(2,793,934)	28,257,889	-	(105,201,374)
Machinery and Equipment	(99,669,943)	(3,667,141)	36,057,218	-	(67,279,866)
Vehicles	(1,211,217)	(93,554)	202,287	-	(1,102,484)
<b>Total accumulated depreciation on tangible assets</b>	<b>(247,591,702)</b>	<b>(7,169,784)</b>	<b>72,457,901</b>	<b>-</b>	<b>(182,303,585)</b>
<b>Total tangible capital assets, being depreciated, net</b>	<b>122,477,221</b>	<b>(7,169,784)</b>	<b>(34,419,415)</b>	<b>2,333,352</b>	<b>83,221,374</b>
<b>Intangible assets, being amortized:</b>					
Right-to-use Lease Assets - Equipment	226,759	-	-	-	226,759
Right-to-use Subscription Assets - Equipment	23,511	9,928	(9,025)	-	24,414
<b>Total lease assets</b>	<b>250,270</b>	<b>9,928</b>	<b>(9,025)</b>	<b>-</b>	<b>251,173</b>
<b>Less accumulated amortization</b>					
Right-to-use Lease Assets - Equipment	(84,573)	(45,352)	-	-	(129,925)
Right-to-use Subscription Assets - Equipment	(7,320)	(7,842)	9,025	-	(6,137)
<b>Total accumulated amortization</b>	<b>(91,893)</b>	<b>(53,194)</b>	<b>9,025</b>	<b>-</b>	<b>(136,062)</b>
<b>Total intangible assets, being amortized, net</b>	<b>158,377</b>	<b>(43,266)</b>	<b>-</b>	<b>-</b>	<b>115,111</b>
<b>Total capital assets, net</b>	<b>\$ 156,972,618</b>	<b>\$ (827,022)</b>	<b>\$ (41,008,415)</b>	<b>\$ -</b>	<b>\$ 115,137,181</b>

Depreciation and amortization expenses for the year ended June 30, 2025 were \$7,222,978.

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2025 and 2024**

**Note 5 – Capital Assets (Continued)**

The summary of changes in capital assets for the year ended June 30, 2024 was as follows:

	Balance July 1, 2024	Additions	Deletions	Transfer	Balance June 30, 2024
<b>Tangible capital assets, not depreciated</b>					
Land	\$ 14,402,224	\$ -	\$ -	\$ -	\$ 14,402,224
Construction In Progress	18,905,336	4,797,617	- -	(3,768,157)	19,934,796
<b>Total tangible capital assets, not depreciated</b>	<b>33,307,560</b>	<b>4,797,617</b>	<b>- -</b>	<b>(3,768,157)</b>	<b>34,337,020</b>
<b>Tangible capital assets, being depreciated</b>					
Buildings	10,727,125	- -	- -	- -	10,727,125
Buildings Improvements	14,554,338	- -	- -	163,110	14,717,448
Computer Hardware	2,132,394	- -	- -	21,454	2,153,848
Computer Software	299,703	- -	- -	- -	299,703
Furniture and Fixtures	160,036	- -	- -	- -	160,036
Infrastructure	178,478,552	- -	- -	1,203,157	179,681,709
Machinery and Equipment	158,404,560	- -	- -	2,214,907	160,619,467
Vehicles	1,544,058	- -	- -	165,529	1,709,587
<b>Total tangible capital assets, being depreciated</b>	<b>366,300,766</b>	<b>- -</b>	<b>- -</b>	<b>3,768,157</b>	<b>370,068,923</b>
<b>Less accumulated depreciation on tangible assets</b>					
Buildings	(7,917,016)	(172,826)	- -	- -	(8,089,842)
Buildings Improvements	(5,286,360)	(535,385)	- -	- -	(5,821,745)
Computer Hardware	(1,572,991)	(146,209)	- -	- -	(1,719,200)
Computer Software	(229,031)	(25,359)	- -	- -	(254,390)
Furniture and Fixtures	(160,036)	- -	- -	- -	(160,036)
Infrastructure	(127,391,229)	(3,274,100)	- -	- -	(130,665,329)
Machinery and Equipment	(95,130,051)	(4,539,892)	- -	- -	(99,669,943)
Vehicles	(1,124,435)	(86,782)	- -	- -	(1,211,217)
<b>Total accumulated depreciation on tangible assets</b>	<b>(238,811,149)</b>	<b>(8,780,553)</b>	<b>- -</b>	<b>- -</b>	<b>(247,591,702)</b>
<b>Total tangible capital assets, being depreciated, net</b>	<b>127,489,617</b>	<b>(8,780,553)</b>	<b>- -</b>	<b>3,768,157</b>	<b>122,477,221</b>
<b>Intangible assets, being amortized:</b>					
Right-to-use Lease Assets - Equipment	226,759	- -	- -	- -	226,759
Right-to-use Subscription Assets - Equipment	9,025	14,486	- -	- -	23,511
<b>Total lease assets</b>	<b>235,784</b>	<b>14,486</b>	<b>- -</b>	<b>- -</b>	<b>250,270</b>
<b>Less accumulated amortization</b>					
Right-to-use Lease Assets - Equipment	(39,221)	(45,352)	- -	- -	(84,573)
Right-to-use Subscription Assets - Equipment	(3,050)	(4,270)	- -	- -	(7,320)
<b>Total accumulated amortization</b>	<b>(42,271)</b>	<b>(49,622)</b>	<b>- -</b>	<b>- -</b>	<b>(91,893)</b>
<b>Total intangible assets, being amortized, net</b>	<b>193,513</b>	<b>(35,136)</b>	<b>- -</b>	<b>- -</b>	<b>158,377</b>
<b>Total capital assets, net</b>	<b>\$ 160,990,690</b>	<b>\$ (4,018,072)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 156,972,618</b>

Depreciation and amortization expenses for the year ended June 30, 2024 were \$8,830,175.

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2025 and 2024**

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**Note 6 – Compensated Absences**

The summary of changes in compensated absences for the year ended June 30, 2025 was as follows:

	Balance		Balance June 30, 2025	Classification	
	July 1, 2024 (As restated)	Net Changes		Current	Long-term
Compensated absences	\$ 900,026	\$ (221,305)	\$ 678,721	\$ 230,989	\$ 447,732

The summary of changes in compensated absences for the year ended June 30, 2024 was as follows:

	Balance		Balance June 30, 2024	Classification	
	July 1, 2023 (As restated)	Net Changes		Current	Long-term
Compensated absences	\$ 803,312	\$ 96,714	\$ 900,026	\$ 300,364	\$ 599,662

**Note 7 – Lease and Subscription Liability**

A summary of changes in lease and subscription liability for the year ended June 30, 2025 is as follows:

	Balance		Balance June 30, 2025	Due within One Year		Due in More Than One Year	
	July 1, 2024	Additions	Deletions	Current	Long-term		
Lease liability	\$ 145,814	\$ -	\$ (44,820)	\$ 100,994	\$ 46,190	\$ 54,804	
Subscription liability	9,536	9,928	(14,636)	4,828	4,828		-
Total	<u>\$ 155,350</u>	<u>\$ 9,928</u>	<u>\$ (59,456)</u>	<u>\$ 105,822</u>	<u>\$ 51,018</u>	<u>\$ 54,804</u>	

A summary of changes in lease liability for the year ended June 30, 2024 is as follows:

	Balance		Balance June 30, 2024	Due within One Year		Due in More Than One Year	
	July 1, 2023	Additions	Deletions	Current	Long-term		
Lease liability	\$ 189,310	\$ -	\$ (43,496)	\$ 145,814	\$ 44,820	\$ 100,994	
Subscription liability	-	14,486	(4,950)	9,536	4,708	4,828	
Total	<u>\$ 189,310</u>	<u>\$ 14,486</u>	<u>\$ (48,446)</u>	<u>\$ 155,350</u>	<u>\$ 49,528</u>	<u>\$ 105,822</u>	

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2025 and 2024**

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**Note 7 – Lease and Subscription Liability (Continued)**

**Lease Liability**

The Authority has entered into leases for building space and equipment use. The terms of the agreements range from 25 to 60 months. The calculated interest rate used was from 0.6870% to 3.4450%. At June 30, 2025 and 2024, the outstanding balance of the leases is \$100,994 and \$145,814, respectively.

Principal and interest payments to maturity as of June 30, 2025 are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	\$ 46,190	\$ 2,631	\$ 48,821
2027	41,018	1,234	42,252
2028	13,786	99	13,885
Total	<u><u>\$ 100,994</u></u>	<u><u>\$ 3,964</u></u>	<u><u>\$ 104,958</u></u>

**Subscription Liability**

The Authority has entered into subscriptions for information technology arrangements. The term of the arrangements were 36 months with implicit rate from 2.5330% to 2.8760%. At June 30, 2025 and 2024, the outstanding balance of the leases is \$4,828 and \$9,536, respectively.

Principal and interest payments to maturity as of June 30, 2025 are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	<u><u>\$ 4,828</u></u>	<u><u>\$ 122</u></u>	<u><u>\$ 4,950</u></u>

**Note 8 – Other Postemployment Benefits (“OPEB”)**

**General Information about the OPEB**

*Plan Description and Eligibility*

The Authority provides post-retirement health care benefits to employees who retire from PERS on or after age 50 with at least 5 years of service with the Authority and PERS. (Authority service for employees hired after October 5, 2007). Eligible employees must retire (commence pension payment) with CalPERS within 120 days of separation from service. Eligible retirees receive a similar contribution towards benefits as active employees. Retiree benefits are paid for the lifetime of the retiree, spouse or surviving spouse and to age 26 for dependents. The Authority's plan is a single employer plan that provides post-retirement health care benefits in accordance with the Public Employee's Medical and Hospital Care Act through the PERS health program.

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2025 and 2024**

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**Note 8 – Other Postemployment Benefits (“OPEB”) (Continued)**

**General Information about the OPEB (Continued)**

*Plan Description and Eligibility (Continued)*

All permanent full-time and part-time employees working at least half-time are offered a choice of medical (including prescription drug coverage) plans through the CalPERS Health Program under the Public Employees' Medical and Hospital Care Act (PEMHCA). SOCWA currently pays an amount each year that is based on a percentage of the average of all health plans (excluding the PERS Care Plan) made available to SOCWA employees through the CalPERS Health Program. Any premium costs above this amount are paid for by the employee. Alternatively, the employee may elect a cash-in-lieu option of \$300/month but opt back into the health plan at any time before retirement during an enrollment period. SOCWA offers the same medical plans to eligible retirees except once retirees are eligible for Medicare, the retiree must join a Medicare HMO or Supplement Plan with Medicare being the primary payer. Employees hired on or after July 1, 2017 are only eligible for the PEMHCA minimum contribution (\$158 for 2025, \$157 for 2024 and \$151 for 2023) and an HSA contribution. For the purposes of GASB 75, only the PEMHCA minimum contribution will be valued for these employees. The Plan does not issue a stand-alone financial report.

*Employees Covered by Benefit Terms*

At the June 30, 2025 and June 30, 2024, year-end dates, the following employees were covered by the benefit terms under the OPEB Plan:

	<b>2025</b>	<b>2024</b>
Active employees	40	57
Inactive employees or beneficiaries currently receiving benefits	53	50
Inactive employees entitled to, but not yet receiving benefits	-	-
<b>Total</b>	<b>93</b>	<b>107</b>

*Contribution*

The Authority contributes on a pay-as-you-go basis and the benefits were paid outside the trust and not reimbursed.

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2025 and 2024**

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**Note 8 – Other Postemployment Benefits (“OPEB”) (Continued)**

**Net OPEB Liability**

*Actuarial Methods and Assumptions Used to Determine Total Pension Liability*

The January 1, 2025 valuation was rolled forward to determine the June 30, 2025 total OPEB liability, respectively, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	5.75% at June 30, 2025 6.50% at June 30, 2024
Long-Term Expected Rate of Return on Assets	Expected Authority contributions projected to keep sufficient plan assets to pay all benefits from trust
General Inflation	2.50% annually
Mortality, Retirement, Disability, Termination	CalPERS 2000-2019 Experience Study
Mortality Improvement	Mortality projected fully generational with Scale MP-2021
Salary Increases	Aggregate - 2.75% annually Merit - CalPERS 2000-2019 Experience Study
Medical Trend	Non-Medicare - 7.35% for 2027, decreasing to an ultimate rate of 3.45% in 2076 Medicare (Non-Kaiser) - 6.50% for 2027, decreasing to an ultimate rate of 3.45% in 2076 Medicare (Kaiser) - 5.45% for 2027, decreasing to an ultimate rate of 3.45% in 2076
PEMHCA Minimum Increases	3.50% annually
Cap Increases	95% of average premium cap - Non-Medicare healthcare trend
Healthcare Participation for Future Retirees	Hired before 1/1/2017 - 100% Hired on or after 1/1/2017 - 50%

*Change of Assumptions*

From the January 1, 2025 valuation date to the June 30, 2025 measurement date, the Authority had the following changes of assumptions:

- (1) The Discount rate was changed from 6.50% to 5.75%.
- (2) Updated medical and PEMHCA minimum trend.
- (3) Updated mortality to CalPERS 2000-2019 Experience Study.
- (4) Updated participation for those hired on or after January 1, 2017.
- (5) Added family coverage at retirement.

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2025 and 2024**

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**Note 8 – Other Postemployment Benefits (“OPEB”) (Continued)**

**Net OPEB Liability (Continued)**

*Long-Term Expected Rate of Return*

The long-term expected rate of return on OPEB plan investment is assumed to be 5.75%. This was determined using a building block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These expected future real rates of return are then combined to produce the long-term expected rate of return by weighting them based on the target asset allocation percentage and adding in expected inflation (2.75%). The best estimates of arithmetic real rates of return for each major asset class included in the OPEB Plan’s target asset allocation as of June 30, 2025 are summarized in the following table.

Asset Class	Target Allocation	Expected Real Rate of Return
Global Equity	60%	4.56%
Fixed Income	35%	0.78%
Cash	5%	-0.50%
Total	100%	6.50
Assumed Long-Term Rate of Inflation		2.50%
Expected Long-Term Net Rate of Return, Rounded		5.75%

*Discount Rate*

The discount rate used to measure the 2025 and 2024 total OPEB liability were 5.75% and 6.50%, respectively.

**Change in the Net OPEB Liability**

The following table shows the changes in net OPEB liability recognized over the measurement period of July 1, 2024 to June 30, 2025.

	2025		
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (c)=(a)-(b)
Balance at June 30, 2024	\$ 12,001,605	\$ 7,038,273	\$ 4,963,332
<b>Changes Recognized for the Measurement Period:</b>			
Service Cost	290,703	-	290,703
Interest on the total OPEB liability	773,131	-	773,131
Changes in benefit terms	-	-	-
Difference between expected and actual experience	424,630	-	424,630
Changes in assumptions	1,805,672	-	1,805,672
Contribution from the employer	-	795,977	(795,977)
Net investment income	-	731,082	(731,082)
Benefit payments	(795,977)	(795,977)	-
Administrative expenses	-	(18,361)	18,361
<b>Net changes during July 1, 2024 to June 30, 2025</b>	<b>2,498,159</b>	<b>712,721</b>	<b>1,785,438</b>
<b>Balance at June 30, 2025 (Measurement Date)</b>	<b>\$ 14,499,764</b>	<b>\$ 7,750,994</b>	<b>\$ 6,748,770</b>

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2025 and 2024**

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**Note 8 – Other Postemployment Benefits (“OPEB”) (Continued)**

**Change in the Net OPEB Liability (Continued)**

The following table shows the changes in net OPEB liability recognized over the measurement period of July 1, 2023 to June 30, 2024.

	2024		
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (c)=(a)-(b)
Balance at June 30, 2023	\$ 10,993,133	\$ 6,218,496	\$ 4,774,637
<b>Changes Recognized for the Measurement Period:</b>			
Service Cost	256,265	-	256,265
Interest on the total OPEB liability	707,487	-	707,487
Changes in benefit terms	164	-	164
Difference between expected and actual experience	292,779	-	292,779
Changes in assumptions	493,433	-	493,433
Contribution from the employer	-	745,474	(745,474)
Net investment income	-	852,011	(852,011)
Benefit payments	(741,656)	(741,656)	-
Administrative expenses	-	(36,052)	36,052
<b>Net changes during July 1, 2023 to June 30, 2024</b>	<b>1,008,472</b>	<b>819,777</b>	<b>188,695</b>
<b>Balance at June 30, 2024 (Measurement Date)</b>	<b>\$ 12,001,605</b>	<b>\$ 7,038,273</b>	<b>\$ 4,963,332</b>

*Sensitivity of the Net OPEB Liability to Changes in Discount Rate*

The following presents the net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.75 percent) or 1-percentage- point higher (6.75 percent) than the current discount rate, for the measurement period ended June 30, 2025:

Measurement Date	Plan's Net OPEB Liability		
	Discount Rate -1% (4.75%)	Current Discount Rate (5.75%)	Discount Rate +1% (6.75%)
	\$ 8,657,707	\$ 6,748,770	\$ 5,175,002
June 30, 2025			

The following presents the net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage- point higher (7.50 percent) than the current discount rate, for the measurement period ended June 30, 2024:

Measurement Date	Plan's Net OPEB Liability		
	Discount Rate -1% (5.50%)	Current Discount Rate (6.50%)	Discount Rate +1% (7.50%)
	\$ 6,441,475	\$ 4,963,332	\$ 3,737,304
June 30, 2024			

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2025 and 2024**

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**Note 8 – Other Postemployment Benefits (“OPEB”) (Continued)**

**Change in the Net OPEB Liability (Continued)**

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

The following presents the net OPEB liability of the Authority, as well as what the Authority's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates, for the measurement periods ended June 30, 2025 and 2024:

Measurement Date	Plan's Net OPEB Liability		
	Trend -1%	Current Trend Rate	Trend +1%
June 30, 2025	\$ 5,004,867	\$ 6,748,770	\$ 8,884,619
June 30, 2024	3,620,229	4,963,332	6,617,866

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

For the years ended June 30, 2025 and 2024, the Authority recognized OPEB expense in the amounts of \$873,523 and \$540,698, respectively. The Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2025		2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions	\$ 1,989,626	\$ (69,147)	\$ 592,955	\$ (656,075)
Difference between expected and actual experience	728,283	(503,858)	432,967	(80,672)
Differences between projected and actual earnings on OPEB plan investments	-	(285,140)	-	(137,303)
Total	<u>\$ 2,717,909</u>	<u>\$ (858,145)</u>	<u>\$ 1,025,922</u>	<u>\$ (874,050)</u>

The difference between projected OPEB plan investment earnings and actual earnings is amortized over a five-year period. The remaining gains and losses are amortized over the expected average remaining service life. Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized as future OPEB expense as follows:

Year Ending June 30	2025		2024	
	Deferred Outflows/(Inflows) of Resources	Year Ending June 30	Deferred Outflows/(Inflows) of Resources	Year Ending June 30
2026	\$ 464,052	2025	\$ (95,211)	
2027	199,399	2026	120,622	
2028	229,962	2027	(144,031)	
2029	387,529	2028	(113,468)	
2030	330,267	2029	44,100	
Thereafter	248,555	Thereafter	339,860	
Total	<u>\$ 1,859,764</u>	Total	<u>\$ 151,872</u>	

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2025 and 2024**

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**Note 9 – Defined Benefit Pension Plan**

**General Information about the Pension Plan**

*Plan Description*

The Authority contributes to the California Public Employees' Retirement System ("CalPERS"), a cost-sharing multiple-employer defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A full description of the pension plan, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2023 and 2022 Annual Actuarial Valuation Reports. These reports and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

*Employees Covered by Benefit Terms*

At June 30, 2023 and 2022 valuation dates, the following employees were covered by the benefit terms:

	2023			2022		
	Tier 1	Tier 2	PEPRA	Tier 1	Tier 2	PEPRA
Active employees	11	7	39	12	8	40
Transferred and terminated employees	10	1	12	13	1	6
Separated	11	0	11	12	0	9
Retired Employees and Beneficiaries	98	1	0	94	0	0
<b>Total</b>	<b>130</b>	<b>9</b>	<b>62</b>	<b>131</b>	<b>9</b>	<b>55</b>

*Benefits Provided*

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

The Plans' provisions and benefits in effect at June 30, 2025, are summarized as follows:

	2025		
	Tier 1	Tier 2	PEPRA
Hire date	Prior to January 1, 2013	On or after January 1, 2013	On or after January 1, 2013
Benefit Formula	2.5% @ 55	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-55	50-55	52-67
Monthly benefits, as a % of eligible compensation	2.00% to 2.50%	2.0%	2.0%
Require employee contribution rates	8.00%	7.00%	7.75%
Required employer contribution rates	14.13%	12.52%	7.87%

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2025 and 2024**

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**Note 9 – Defined Benefit Pension Plan (Continued)**

**General Information about the Pension Plan (Continued)**

*Benefit Provided (Continued)*

The Plans' provisions and benefits in effect at June 30, 2024, are summarized as follows:

	2024		
	Tier 1	Tier 2	PEPRA
Hire date	Prior to January 1, 2013	On or after January 1, 2013	On or after January 1, 2013
Benefit Formula	2.5% @ 55	2.0% @ 55	2.0% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life	monthly for life
Retirement age	50-55	50-55	52-67
Monthly benefits, as a % of eligible compensation	2.00% to 2.50%	2.00%	2.00%
Require employee contribution rates	8.00%	7.00%	7.75%
Required employer contribution rates	14.06%	12.47%	7.68%

*Contributions*

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

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2025 and 2024**

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**Note 9 – Defined Benefit Pension Plan (Continued)**

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

*Actuarial Methods and Assumptions Used to Determine Total Pension Liability*

The June 30, 2023 and 2022 valuations were rolled forward to determine the June 30, 2024 and 2023 total pension liabilities, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Actuarial Cost Method
Actuarial Assumption:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increase	Varies by Entry Age and Service
Mortality Rate Table <sup>1</sup>	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter

<sup>1</sup>The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. Mortality rates incorporate full generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the 2021 experience study report from November 2021 that can be found on the CalPERS website.

*Change of Assumptions*

There were no assumption changes in 2024 and 2023.

*Long-Term Expected Rate of Return*

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points.

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2025 and 2024**

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**Note 9 – Defined Benefit Pension Plan (Continued)**

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

*Long-Term Expected Rate of Return (Continued)*

The expected real rates of return by asset class are as follows:

Asset Class	2024 and 2023	
	Assumed Asset Allocation	Real Return <sup>1,2</sup>
Global Equity - Cap-weighted	30.00%	4.54%
Global Equity - Non-Cap-weighted Private Equity	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%
	<hr/> <u>100.00%</u>	

<sup>1</sup> An expected inflation of 2.30% used for this period.

<sup>2</sup> Figures are based on the 2021 Asset Liability Management study.

*Discount Rate*

The discount rate used to measure the June 30, 2024 and 2023 total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2025 and 2024**

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**Note 9 – Defined Benefit Pension Plan (Continued)**

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

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

The following presents the Authority's proportionate share of the net pension liability of the Plan as of the measurement dates at June 30, 2024 and 2023, calculated using the discount rates of 6.90% for both June 30, 2024 and 2023 measurement dates, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.90%) or 1 percentage-point higher (7.90%) than the current rate:

Measurement Date	Plan's Aggregate Net Pension Liability/(Asset)		
	Discount Rate -1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate +1% (7.90%)
June 30, 2024	\$ 29,511,146	\$ 19,599,505	\$ 11,440,766
<b>Plan's Aggregate Net Pension Liability/(Asset)</b>			
June 30, 2023	\$ 29,254,354	\$ 19,716,589	\$ 11,866,189
Discount Rate -1% (5.90%)			Discount Rate +1% (7.90%)

*Pension Plan Fiduciary Net Position*

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

*Proportionate Share of Net Pension Liability and Pension Expense*

The following table shows the plan's proportionate share of the risk pool collective net pension liability over the measurement periods:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2023 (Valuation Date)	\$ 70,521,737	\$ 50,805,148	\$ 19,716,589
Balance at June 30, 2024 (Measurement Date)	73,451,993	53,852,488	\$ 19,599,505
Net changes during 2023-2024	2,930,256	3,047,340	(117,084)
Balance at June 30, 2022 (Valuation Date)	\$ 66,443,205	\$ 48,150,274	\$ 18,292,931
Balance at June 30, 2023 (Measurement Date)	70,521,737	50,805,148	19,716,589
Net changes during 2022-2023	4,078,532	2,654,874	1,423,658

The following is the approach established by the plan actuary to allocate the net pension liability and pension expense to the individual employers within the risk pool for the measurement periods ended June 30, 2024 and 2023, respectively.

- (1) In determining a cost-sharing plan's proportionate share, total amounts of liabilities and assets are first calculated for the risk pool as a whole on the valuation dates (June 30, 2023 and 2022). The risk pool's fiduciary net position ("FNP") subtracted from its total pension liability ("TPL") determines the net pension liability ("NPL") at the valuation date.

# South Orange County Wastewater Authority

## Notes to the Financial Statements (Continued)

For the Years Ended June 30, 2025 and 2024

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### Note 9 – Defined Benefit Pension Plan (Continued)

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

##### *Proportionate Share of Net Pension Liability and Pension Expense*

- (2) Using standard actuarial roll forward methods, the risk pool TPL is then computed at the measurement date (June 30, 2024 and 2023). Risk pool FNP at the measurement date is then subtracted from this number to compute the NPL for the risk pool at the measurement date. For purposes of FNP in this step and any later reference thereto, the risk pool's FNP at the measurement date denotes the aggregate risk pool's FNP at June 30, 2024 and 2023 less the sum of all additional side fund (or unfunded liability) contributions made by all employers during the measurement period (2023-2024 and 2022-2023).
- (3) The individual plan's TPL, FNP and NPL are also calculated at the valuation date. TPL is allocated based on the rate plan's share of the actuarial accrued liability. FNP is allocated based on the rate plan's share of the market value assets.
- (4) Two ratios are created by dividing the plan's individual TPL and FNP as of the valuation date from (3) by the amounts in step (1), the risk pool's total TPL and FNP, respectively.
- (5) The plan's TPL as of the measurement date is equal to the risk pool TPL generated in (2) multiplied by the TPL ratio generated in (4). The plan's FNP as of the Measurement Date is equal to the FNP generated in (2) multiplied by the FNP ratio generated in (4) plus any additional side fund (or unfunded liability) contributions made by the employer on behalf of the plan during the measurement period.
- (6) The plan's NPL at the measurement date is the difference between the TPL and FNP calculated in (5).

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

The Authority's proportionate share of the net pension was as follows:

FY 2025		FY 2024	
Measurement Date		Measurement Date	
June 30, 2023	0.15804%	June 30, 2022	0.15837%
June 30, 2024	0.16161%	June 30, 2023	0.15804%
Change - Increase (Decrease)	0.00357%	Change - Increase (Decrease)	-0.00033%

For the years ended June 30, 2025 and 2024, the Authority recognized pension expense in the amounts of \$3,534,784 and \$2,940,640, respectively.

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

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2025 and 2024**

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**Note 9 – Defined Benefit Pension Plan (Continued)**

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

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

The Expected Average Remaining Service Lifetime (“EARSL”) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired) in the risk pool. The EARSL for risk pool for the measurement date ended June 30, 2024 and 2023 are 3.8 years, which was obtained by dividing the total service years of 630,177 and 600,538 (the sum of remaining service lifetimes of the active employees) by 166,163 and 160,073 (the total number of participants: active, inactive, and retired), respectively.

At June 30, 2025 and 2024, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2025	2024	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
	\$	\$	\$
Pension contribution after measurement date	\$ 2,154,977	\$ -	\$ 1,998,164
Changes of assumptions	503,748	-	1,190,379
Difference between expected and actual experience	1,694,557	(66,120)	1,007,230
Projected earnings on pension plan investments under/(in excess of) actual earnings	1,128,320	-	3,192,293
Adjustment due to differences in proportions	76,662	(240,791)	119,252
Change in employer's proportion	-	(257,645)	(320,284)
Employer's actual contributions in excess of/(under) employer's proportionate share of contribution	-	-	(540,189)
<b>Total</b>	<b>\$ 5,558,264</b>	<b>\$ (564,556)</b>	<b>\$ 7,507,318</b>
			<b>\$ (1,016,719)</b>

Deferred outflows of resources related to pensions resulting from the Authority's contributions made subsequent to the measurement date in the amount of \$2,154,977 and \$1,998,164 will be recognized as a reduction of the collective net pension liability in the years ending June 30, 2026 and 2025, respectively.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending June 30,	2025		2024	
	Deferred Outflows/ (Inflows) of Resources		Deferred Outflows/ (Inflows) of Resources	
	Miscellaneous	Miscellaneous	Miscellaneous	Miscellaneous
2026	\$ 813,172		2025	\$ 1,164,604
2027		2,431,070	2026	827,432
2028		(18,850)	2027	2,408,800
2029		(386,661)	2028	91,599
2030		-	2029	-
Thereafter		-	Thereafter	-
<b>Total</b>	<b>\$ 2,838,731</b>		<b>Total</b>	<b>\$ 4,492,435</b>

## **South Orange County Wastewater Authority**

### **Notes to the Financial Statements (Continued)**

**For the Years Ended June 30, 2025 and 2024**

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#### **Note 10 – Risk Management**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority has joined the California Sanitation Risk Management Authority ("CSRMA"), a public entity risk pool currently operating as a common risk management and insurance program for 60-member sanitation districts. The Authority pays an annual premium to CSRMA for its general insurance coverage. The agreement for formation of the CSRMA provides that CSRMA will be self-sustaining through member premiums and will provide specific excess insurance through commercial companies. The CSRMA is allowed to make additional assessments to its members based on a retrospective premium adjustment process.

At June 30, 2025 and 2024, the Authority's participation in the insurance with California Sanitation Risk Management Authority, CSRMA, a pooled liability program, was as follows:

- Workers' Compensation – the Authority is self-insured through the CSRMA up to \$1,000,000 per occurrence with a \$0 deductible for both years ended June 30, 2025 and 2024, respectively. Excess insurance up to the statutory limits per occurrence has been purchased. Excess insurance of \$1,000,000 for employer's liability has also been purchased for both years ended June 30, 2025 and 2024.
- General Liability (including errors and omissions ("E&O") and employment practices liability ("EPL")) - the Authority is insured through the CSRMA at first layer coverage of \$500,000 (\$100,000 for EPL) with a \$25,000 deductible (\$2,500 for E&O). Excess insurance is purchased by CSRMA at two levels: \$10,000,000 and \$15,750,000 per occurrence for the year ended June 30, 2025. Excess insurance is purchased by CSRMA at \$5,000,000, part of the \$10,750,000 quota-share for the year ended June 30, 2024.

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

For property and pooled liability insurance, the premiums paid in the fiscal years ended June 30, 2025 and 2024 totaled \$723,051 and \$777,471, respectively. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### **Note 11 – Legal Settlement Receivables and Payables**

The Authority was identified as a Potentially Responsible Party related to nominally nonhazardous waste disposed at the BKK Landfill in West Covina between 1983 and 1996. The Authority accepted a de minimis settlement offer of \$1,062,694 on June 3, 2024.

As of June 30, 2024, the Authority recorded a legal settlement receivable of \$1,060,041 and a legal settlement liability of \$1,062,694 related to anticipated settlement amounts as of June 30, 2024. The legal settlement receivable was received during the year ended June 30, 2025.

As of June 30, 2025, the Authority reported a legal settlement liability of \$1,062,694, presented as a noncurrent liability, and no legal settlement receivable was outstanding. As of December 2025, the Authority is awaiting a Payment Notice from the California Department of Toxic Substances Control. Upon receipt of the Payment Notice, the Authority is required to remit \$1,062,694 within 15 days in accordance with the settlement agreement.

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2025 and 2024**

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**Note 12 – Due From and Due To Member and Contracted Agencies**

The following represents the Due From Member and Contracted Agencies balances as of June 30, 2025 and 2024:

<b>Due From Member and Contracted Agencies</b>	<b>June 30, 2025</b>	<b>June 30, 2024</b>
City of Laguna Beach ("CLB")	\$ 227,047	\$ 434,695
El Toro Water District ("ETWD")	36,403	-
Emerald Bay Service District ("EBSD")	16,282	17,637
Moulton Niguel Water District ("MNWD")*	1,440,194	240,026
Santa Margarita Water District ("SMWD")	217,591	32,508
South Coast Water District ("SCWD")	186,152	261,688
<b>Total Due From Member Agencies</b>	<b>\$ 2,123,669</b>	<b>\$ 986,554</b>

\* Contracted Agencies

The following represents the Due To Member and Contracted Agencies balances as of June 30, 2025 and 2024:

<b>Due To Member and Contracted Agencies</b>	<b>June 30, 2025</b>	<b>June 30, 2024</b>
City of Laguna Beach ("CLB")	\$ 89,289	\$ 157,712
City of San Clemente ("CSC")	34,485	30,940
El Toro Water District ("ETWD")	256,185	164,332
Emerald Bay Service District ("EBSD")	53,538	13,774
Irvine Ranch Water District ("IRWD")*	31,534	47,490
Moulton Niguel Water District ("MNWD")*	420,535	655,791
Santa Margarita Water District ("SMWD")	399,720	785,953
South Coast Water District ("SCWD")	1,697,696	498,308
<b>Total Due To Member Agencies</b>	<b>\$ 2,982,982</b>	<b>\$ 2,354,300</b>

\* Contracted Agencies

**Note 13 – Net Position**

**A. Net Investment in Capital Assets**

The following is the calculation of net investment in capital assets at June 30, 2025 and 2024:

	<b>June 30, 2025</b>	<b>June 30, 2024</b>
Capital Assets, net of		
accumulated depreciation and amortization	\$ 115,137,181	\$ 156,972,618
Less: outstanding principal on capital related debt	(105,822)	(155,350)
Less: retention payable	(4,719)	(28,523)
Net investments in capital assets	<b>\$ 115,026,640</b>	<b>\$ 156,788,745</b>

**B. Restricted Net Position Related PC 15 within Net Investment in Capital Asset**

The Authority holds PC15 funds on behalf of the PC 15 remaining member agencies for use in future capital projects. These funds are not distributed to member agencies and may only be applied to future capital project costs with the approval of the PC 15 remaining member agencies.

## **South Orange County Wastewater Authority**

### **Notes to the Financial Statements (Continued)**

**For the Years Ended June 30, 2025 and 2024**

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#### **Note 13 – Net Position (Continued)**

##### **B. Restricted Net Position Related PC 15 within Net Investment in Capital Asset (Continued)**

As of June 30, 2025, the Authority held \$12,500,000 related to PC 15 for this purpose. The Authority reports these amounts as restricted cash and restricted net position because the funds are externally restricted for specified capital purposes and are not available for general operations. Because the funds had not been expended on capital assets as of June 30, 2025, they are not included in net investment in capital assets. The PC 15 allocated amounts by member agency were as follows: South Coast Water District, \$5,335,000; Emerald Bay Service District, \$373,750; and City of Laguna Beach, \$6,791,250.

Of the \$12,500,000 related to PC 15, the Authority had received the first installment and reported \$4,166,666 as restricted cash and investment held by the Agency at June 30, 2025. The remaining \$8,333,334 represents amounts contractually restricted for PC 15 purposes that had not yet been received as of June 30, 2025 and is included in restricted net position through the related receivable from Moulton Nigel Water District.

##### **C. Unrestricted Net Position**

The Authority had an unrestricted net position of \$(9,442,157) and \$(8,076,547) at June 30, 2025 and 2024. The deficit was mainly due to the reporting of the net other postemployment benefits liability and the net pension liability. The net other postemployment benefits liability were \$6,748,770 and \$4,963,332 at June 30, 2025 and 2024, respectively. The net pension liability were \$19,599,505 and \$19,716,589 at June 30, 2025 and 2024, respectively.

#### **Note 14 – Commitments and Contingencies**

##### **A. General Lawsuits**

The Authority is subject to other litigation arising in the normal course of business. In the opinion of the Authority Counsel, there is not pending litigation which is likely to have a material adverse effect on the financial position of the Authority.

##### **B. Commitments**

The Authority had several outstanding or planned construction and other projects as of June 30, 2025 and 2024. These projects are evidenced by contractual commitments within engineering related services and the outstanding balance as of June 30, 2025 and 2024 was \$14,876,878 and \$14,262,470, respectively.

#### **Note 15 – Special Items**

During the fiscal year ended June 30, 2025, the Authority completed transfers of certain project related assets and capacity rights associated with Project Committee 10 (PC 10) and Project Committee 17 (PC 17). These transactions were non routine in nature and are presented as special items in the statement of revenues, expenses, and changes in net position.

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2025 and 2024**

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**Note 15 – Special Items (Continued)**

**A. PC 10 Transfer**

On December 9, 2024, the Authority executed the PC 10 San Clemente Land Outfall asset transfer and dissolution agreement with the City of San Clemente, which provides for the transfer of the outfall and related rights and includes dissolution of PC 10 in connection with the transfer.

The Authority recognized a loss on the PC 10 transfer of \$1,694,564, which reflects the net book value of the assets removed from the Authority's accounting records.

**B. PC 17 Transfer**

During the fiscal year, the Authority executed the PC 17 Regional Treatment Plant Capacity Rights Transfer Agreement to transfer Regional Treatment Plant solids handling capacity rights to MNWD. In addition, on December 12, 2024, the Authority executed a bill of sale to convey certain Regional Treatment Plant improvements and other personal property to MNWD on an as is basis, with consideration as detailed in the related asset and capacity transfer agreement.

The Authority recognized a loss on the PC 17 transfer of \$17,813,850. The net book value of the transferred assets consisted of original cost of \$109,969,188, net of accumulated depreciation of \$70,655,338, resulting in a net book value of \$39,313,850. Consideration received for the transfer totaled \$21,500,000. The difference between the net book value of the assets transferred and the consideration received resulted in the loss recognized on the PC 17 transfer.

**C. Member Agencies Distribution Payments**

In connection with the PC 17 transfer proceeds, the Authority entered into a Memorandum of Understanding (MOU) among the remaining member agencies regarding the allocation of certain amounts received from MNWD. Under the MOU, the Authority is responsible for administering payments totaling \$9,000,000 to the remaining member agencies. These amounts are not part of the Transfer Price and were not included in the loss on disposal calculation.

**Note 16 – Subsequent Event**

Subsequent to fiscal year end, the Authority received \$7,166,667 from MNWD related to the PC 17 transfer on December 11, 2025. This receipt is consistent with the current note receivable reported as of June 30, 2025 disclosed under Note 4. No adjustment is needed for the June 30, 2025 financial statements as a result of this subsequent event.

**South Orange County Wastewater Authority**  
**Notes to the Financial Statements (Continued)**  
**For the Years Ended June 30, 2025 and 2024**

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**Note 17 – Restatement of Beginning Net Position**

***Implementation of GASB Statement No. 101, Compensated Absences***

Effective for the fiscal year ended June 30, 2025, the Authority implemented GASB Statement No. 101, *Compensated Absences*. This statement establishes accounting and financial reporting standards for compensated absences, including vacation, sick leave, and other paid time off. The implementation of GASB 101 resulted in a change in accounting principle, and prior year amounts have been restated accordingly.

Under GASB 101, a liability must be recognized for leave that is attributable to services already rendered, accumulates and carries forward to future periods, and is more likely than not to be used or paid. This represents a shift from previous guidance, particularly in how likelihood and eligibility are assessed.

The effect of the restatement is as shown below:

	June 30, 2025	June 30, 2024
Beginning of year	\$ 148,745,738	\$ 147,582,696
Change in accounting principle:		
GASB 101 - Compensated Absences	- 33,540	
Beginning net position, as restated	<u><u>\$ 148,745,738</u></u>	<u><u>\$ 147,616,236</u></u>

***Required Supplementary Information (Unaudited)***

**South Orange County Wastewater Authority**  
**Required Supplementary Information (Unaudited)**  
**Schedule of the Proportionate Share of the Net Pension Liability and Related Ratios**  
**For the Years Ended June 30, 2025 and 2024**

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**Last Ten Fiscal Years**

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

For the measurement date:	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>June 30, 2019</u>
Authority's proportion of the net pension liability/(asset)	<u>0.13190%</u>	<u>0.13350%</u>	<u>0.13522%</u>	<u>0.13684%</u>	<u>0.14015%</u>
Authority's proportionate share of the net pension liability/(asset)	<u>\$ 9,054,535</u>	<u>\$ 11,549,944</u>	<u>\$ 13,410,437</u>	<u>\$ 13,186,316</u>	<u>\$ 14,361,551</u>
Authority's covered payroll	<u>\$ 5,452,666</u>	<u>\$ 5,616,113</u>	<u>\$ 5,784,596</u>	<u>\$ 6,083,399</u>	<u>\$ 6,331,043</u>
Authority's proportionate share of the net pension liability/(asset) as a percentage of covered payroll	<u>166.06%</u>	<u>205.66%</u>	<u>231.83%</u>	<u>216.76%</u>	<u>226.84%</u>
Plan's proportionate share of the fiduciary net position as a percentage of the total pension liability	<u>78.43%</u>	<u>74.15%</u>	<u>73.31%</u>	<u>74.75%</u>	<u>74.10%</u>

**South Orange County Wastewater Authority**  
**Required Supplementary Information (Unaudited)**

**Schedule of the Proportionate Share of the Net Pension Liability and Related Ratios (Continued)**  
**For the Years Ended June 30, 2025 and 2024**

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**Last Ten Fiscal Years**

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

For the measurement date:	<u>June 30, 2020</u>	<u>June 30, 2021</u>	<u>June 30, 2022</u>	<u>June 30, 2023</u>	<u>June 30, 2024</u>
Authority's proportion of the net pension liability/(asset)	0.14271%	0.17117%	0.15837%	0.15804%	0.16161%
Authority's proportionate share of the net pension liability/(asset)	\$ 15,527,683	\$ 9,257,418	\$ 18,292,931	\$ 19,716,589	\$ 19,599,505
Authority's covered payroll	\$ 6,456,681	\$ 6,607,567	\$ 6,633,831	\$ 6,850,169	\$ 7,405,023
Authority's proportionate share of the net pension liability/(asset) as a percentage of covered payroll	240.49%	140.10%	275.75%	287.83%	264.68%
Plan's proportionate share of the fiduciary net position as a percentage of the total pension liability	73.69%	85.11%	72.47%	76.21%	78.08%

**South Orange County Wastewater Authority**  
**Required Supplementary Information (Unaudited)**  
**Schedule of the Contributions - Pensions**  
**For the Years Ended June 30, 2025 and 2024**

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**Last Ten Fiscal Years**

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

Risk Management	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>
Actuarially determined contribution <sup>1</sup>	\$ 495,877	\$ 521,940	\$ 1,094,606	\$ 1,297,346	\$ 1,441,008
Contribution in relation to the actuarially determined contribution <sup>1</sup>	(1,121,220)	(1,019,645)	(1,094,606)	(1,297,346)	(1,441,008)
Contribution deficiency/(excess)	\$ (625,343)	\$ (497,705)	\$ -	\$ -	\$ -
Authority's covered payroll <sup>2</sup>	\$ 5,616,113	\$ 5,784,596	\$ 6,083,399	\$ 6,456,681	\$ 6,456,681
Contributions as a percentage of covered payroll	19.96%	17.63%	17.99%	20.09%	22.32%

<sup>1</sup> Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

<sup>2</sup> Includes one year's payroll growth using 2.80% payroll growth assumption for fiscal year ended June 30, 2022 through 2024; 2.75% payroll growth assumption for fiscal years ended June 30, 2018-21; 3.00% payroll growth assumption for fiscal years ended June 30, 2014-17.

**Notes to Schedule**

Change in Benefit Terms: There were no changes to benefit terms.

Changes of Assumptions: There were no assumption changes in 2023 or 2024. Effective with the June 30, 2021, valuation date (June 30, 2022, measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. In addition, demographic assumptions and the price inflation assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. The accounting discount rate was 7.15% for measurement dates June 30, 2017, through June 30, 2021, and 7.65% for measurement dates June 30, 2015, through June 30, 2016.

**South Orange County Wastewater Authority**  
**Required Supplementary Information (Unaudited)**  
**Schedule of the Contributions - Pensions (Continued)**  
**For the Years Ended June 30, 2025 and 2024**

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**Last Ten Fiscal Years**

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

Risk Management	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-2025</b>
Actuarially determined contribution <sup>1</sup>	\$ 1,620,095	\$ 1,783,637	\$ 1,942,569	\$ 1,981,169	\$ 2,154,977
Contribution in relation to the actuarially determined contribution <sup>1</sup>	(1,620,095)	(1,783,637)	(1,942,569)	(1,998,164)	\$ (2,154,977)
Contribution deficiency/(excess)	\$ -	\$ -	\$ -	\$ 16,995	\$ -
Authority's covered payroll <sup>2</sup>	\$ 6,607,567	\$ 6,633,831	\$ 6,850,169	\$ 7,405,023	\$ 7,612,364
Contributions as a percentage of covered payroll	<u>24.52%</u>	<u>26.89%</u>	<u>28.36%</u>	<u>26.98%</u>	<u>28.31%</u>

**South Orange County Wastewater Authority**  
**Required Supplementary Information (Unaudited)**  
**Schedule of Changes in Net OPEB Liability and Related Ratios**  
**For the Years Ended June 30, 2025 and 2024**

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**Last Ten Fiscal Years**

**Other Postemployment Benefits ("OPEB")**

Measurement period	2017-2018 <sup>1</sup>	2018-2019	2019-2020	2020-2021	2021-2022
<b>Total OPEB Liability:</b>					
Service Cost	\$ 256,866	\$ 274,847	\$ 231,479	\$ 264,352	\$ 226,409
Interest	677,737	713,467	692,192	710,590	695,353
Changes of benefit terms	-	(42,119)	-	-	-
Differences between expected and actual experience	-	(822,505)	-	(840,089)	(377,647)
Changes of assumptions	-	109,406	607,338	297,733	-
Contribution from the employer <sup>2</sup>	-	-	-	-	-
Benefit payments, including refunds of member contributions	(354,582)	(529,726)	(457,597)	(592,075)	(667,236)
<b>Net change in Total OPEB Liability</b>	<b>580,021</b>	<b>(296,630)</b>	<b>1,073,412</b>	<b>(159,489)</b>	<b>(123,121)</b>
<b>Beginning of Year</b>	<b>9,602,387</b>	<b>10,182,408</b>	<b>9,885,778</b>	<b>10,959,190</b>	<b>10,799,701</b>
<b>End of Year</b>	<b>\$ 10,182,408</b>	<b>\$ 9,885,778</b>	<b>\$ 10,959,190</b>	<b>\$ 10,799,701</b>	<b>\$ 10,676,580</b>
<b>Plan Fiduciary Net Position:</b>					
Employer contribution	\$ 585,582	\$ 529,726	\$ 457,597	\$ 592,075	\$ 667,236
Employee contributions	-	-	-	-	-
Contributions - nonemployer contributing member	-	-	-	-	-
Net investment income	348,619	341,412	163,035	1,420,672	(891,743)
Benefit payments	(354,582)	(529,726)	(457,597)	(592,075)	(667,236)
Administrative expenses	(26,133)	(27,005)	(30,213)	(34,089)	(37,506)
<b>Net changes in Fiduciary Net Position</b>	<b>553,486</b>	<b>314,407</b>	<b>132,822</b>	<b>1,386,583</b>	<b>(929,249)</b>
<b>Beginning of Year</b>	<b>4,269,924</b>	<b>4,823,410</b>	<b>5,137,817</b>	<b>5,270,639</b>	<b>6,657,222</b>
<b>End of Year</b>	<b>\$ 4,823,410</b>	<b>\$ 5,137,817</b>	<b>\$ 5,270,639</b>	<b>\$ 6,657,222</b>	<b>\$ 5,727,973</b>
<b>Net OPEB Liability</b>	<b>\$ 5,358,998</b>	<b>\$ 4,747,961</b>	<b>\$ 5,688,551</b>	<b>\$ 4,142,479</b>	<b>\$ 4,948,607</b>
<b>Fiduciary Net Position as a percentage of Total OPEB Liability</b>	<b>47.37%</b>	<b>51.97%</b>	<b>48.09%</b>	<b>61.64%</b>	<b>53.65%</b>
<b>Covered Payroll<sup>2</sup></b>	<b>\$ 6,083,399</b>	<b>\$ 6,456,681</b>	<b>\$ 6,456,681</b>	<b>\$ 6,607,567</b>	<b>\$ 6,812,966</b>
<b>Net OPEB Liability as a percentage of Covered Payroll</b>	<b>88.09%</b>	<b>73.54%</b>	<b>88.10%</b>	<b>62.69%</b>	<b>72.64%</b>

<sup>1</sup>Historical information is presented only for measurement periods when GASB 75 was implemented for measurement period 2017-18. Additional years' information will be displayed as it becomes available.

<sup>2</sup>The contribution are not based on a measure of pay.

**South Orange County Wastewater Authority**  
**Required Supplementary Information (Unaudited)**  
**Schedule of Changes in Net OPEB Liability and Related Ratios (Continued)**  
**For the Years Ended June 30, 2025 and 2024**

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**Last Ten Fiscal Years**

**Other Postemployment Benefits ("OPEB") (Continued)**

Measurement period	<b>2022-2023</b>	<b>2023-2024</b>	<b>2024-2025</b>
<b>Total OPEB Liability:</b>			
Service Cost	\$ 226,817	\$ 256,265	\$ 290,703
Interest	685,995	707,487	773,131
Changes of benefit terms	-	164	-
Differences between expected and actual experience	217,884	292,779	424,630
Changes of assumptions	(103,722)	493,433	1,805,672
Contribution from the employer <sup>2</sup>	-	-	-
Benefit payments, including refunds of member contributions	(710,421)	(741,656)	(795,977)
<b>Net change in Total OPEB Liability</b>	<b>316,553</b>	<b>1,008,472</b>	<b>2,498,159</b>
<b>Beginning of Year</b>	<b>10,676,580</b>	<b>10,993,133</b>	<b>12,001,605</b>
<b>End of Year</b>	<b>\$ 10,993,133</b>	<b>\$ 12,001,605</b>	<b>\$ 14,499,764</b>
<b>Plan Fiduciary Net Position:</b>			
Employer contribution	\$ 710,421	\$ 745,474	\$ 795,977
Employee contributions	-	-	-
Contributions - nonemployer contributing member	-	-	-
Net investment income	524,077	852,011	731,082
Benefit payments	(710,421)	(741,656)	(795,977)
Administrative expenses	(33,554)	(36,052)	(18,361)
<b>Net changes in Fiduciary Net Position</b>	<b>490,523</b>	<b>819,777</b>	<b>712,721</b>
<b>Beginning of Year</b>	<b>5,727,973</b>	<b>6,218,496</b>	<b>7,038,273</b>
<b>End of Year</b>	<b>\$ 6,218,496</b>	<b>\$ 7,038,273</b>	<b>\$ 7,750,994</b>
<b>Net OPEB Liability</b>	<b>\$ 4,774,637</b>	<b>\$ 4,963,332</b>	<b>\$ 6,748,770</b>
<b>Fiduciary Net Position as a percentage of Total OPEB Liability</b>	<b>56.57%</b>	<b>58.64%</b>	<b>53.46%</b>
<b>Covered Payroll<sup>2</sup></b>	<b>\$ 6,850,169</b>	<b>\$ 7,307,632</b>	<b>\$ 6,603,902</b>
<b>Net OPEB Liability as a percentage of Covered Payroll</b>	<b>69.70%</b>	<b>67.92%</b>	<b>102.19%</b>

<sup>1</sup>Historical information is presented only for measurement periods when GASB 75 was implemented for measurement period 2017-18. Additional years' information will be displayed as it becomes available.

<sup>2</sup>The contribution are not based on a measure of pay.

**South Orange County Wastewater Authority  
Required Supplementary Information (Unaudited)  
Schedule of Contributions - OPEB  
For the Years Ended June 30, 2025 and 2024**

## Last Ten Fiscal Years<sup>1</sup>

## Other Postemployment Benefits ("OPEB")

Fiscal year end	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
Actuarially Determined					
Employer Contribution <sup>2</sup>	\$ 585,582	\$ 613,218	\$ 631,614	\$ 595,227	\$ 611,596
Contributions in relation to the actuarially determined contribution	(585,582)	(529,726)	(457,597)	(592,075)	(667,236)
Contribution deficiency (excess)	\$ -	\$ 83,492	\$ 174,017	\$ 3,152	\$ (55,640)
Covered Employee Payroll	6,083,399	6,456,681	6,456,681	6,607,567	6,812,966
Contributions as a percentage of covered payroll <sup>2</sup>	9.63%	8.20%	7.09%	8.96%	9.79%

<sup>1</sup> Historical information is presented only for measurement periods when GASB 75 was implemented for measurement period 2017-18. Additional years' information will be displayed as it becomes available.

<sup>2</sup>The contribution are not based on a measure of pay.

## Notes to Schedule

Valuation date January 1, 2023

Methods and assumptions used to determine contribution rates:

Amortization Method:  Level % of pay

Actuarial Cost Method:      Entry age normal level % of salary method

Amortization Method:  Level % of pay

Amortization Period: 15-year fixed period for 2024/25

Asset Valuation Method: Market value of assets

Discount Rate: 6.50%

Medical Trend: Non-Medicare - 8.00% for 2025, decreasing to an ultimate rate of 4.50% in 2039  
Medicare - 6.50% for 2025, decreasing to an ultimate rate of 4.50% in 2033

**South Orange County Wastewater Authority**  
**Required Supplementary Information (Unaudited)**  
**Schedule of the Contributions - OPEB (Continued)**  
**For the Years Ended June 30, 2025 and 2024**

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**Last Ten Fiscal Years**

**Other Postemployment Benefits ("OPEB") (Continued)**

	<b>2022-2023</b>	<b>2023-2024</b>	<b>2024-2025</b>
Fiscal year end			
Actuarially Determined			
Employer Contribution <sup>2</sup>	\$ 648,238	\$ 681,796	\$ 755,739
Contributions in relation to the actuarially determined contribution	<u>(710,421)</u>	<u>(745,474)</u>	<u>(795,977)</u>
Contribution deficiency (excess)	<u>\$ (62,183)</u>	<u>\$ (63,678)</u>	<u>\$ (40,238)</u>
Covered Employee Payroll	6,850,169	7,307,632	6,603,901
Contributions as a percentage of covered payroll <sup>2</sup>	10.37%	10.20%	12.05%

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December 29, 2025

6 Hutton Centre Drive, Suite 1200  
Santa Ana, California 92707



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

[www.pungroup.cpa](http://www.pungroup.cpa)



We have audited the financial statements of the business-type activities of the South Orange County Wastewater Authority (the “Authority”) for the years ended June 30, 2025 and 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 29, 2025. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Matters

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 2 to the financial statements. As discussed in Note 2 to the financial statements, the Authority implemented the following accounting standards:

GASB Statement No. 101 – In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. Implementation of this Statement resulted in restatement of beginning net position on July 1, 2024 presented in Note 17.

GASB Statement No. 102 – In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints which may limit a government's ability to acquire resources or control spending. The Authority has evaluated its exposure to financial risk stemming from concentrations and constraints. Management has determined that no concentration exists for the fiscal year ended June 30, 2025.

No other new accounting policies were adopted and the application of existing policies was not changed during 2025. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Authority's financial statements were:

- Management's estimate of the investment fair market value is based on information provided by the State of California for its investment in the Local Agency Investment Fund. We evaluated the key factors and assumptions used to develop the investment fair market value in determining that it is reasonable in relation to the financial statements taken as a whole.

To the Board of Directors  
of the South Orange County Wastewater Authority  
Dana Point, California  
Page 2

- Management's estimate of the depreciation and amortization on capital assets and intangible asset – right to use asset is based on the industry standard and past experience on actual useful life of the asset groups. We evaluated the key factors and assumptions used to develop the depreciation and amortization on capital assets and intangible asset – right to use asset in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the net other postemployment benefits ("OPEB") liability is based on the actuarial valuation on total OPEB liability and financial statements on fiduciary net position. We evaluated the key factors and assumptions used to develop the OPEB liability in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the net pension liabilities is based on the actuarial valuation on total pension liability and based on audited financial statements on fiduciary net position for CalPERS plans. We evaluated the key factors and assumptions used to develop the net pension liability in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate for the "more likely than not" amount of sick leave to be accrued in the compensated absences liability is based on historical "days used" data determined by taking a sample of historic sick leave usage patterns.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- Note 2 – Summary of Significant Accounting Policies
- Note 4 – Note Receivable and Distribution Payable related to PC 17 Transfer
- Note 8 – Other Postemployment Benefits ("OPEB")
- Note 9 – Defined Benefit Pension Plan
- Note 14 – Commitments and Contingencies
- Note 15 – Special Items
- Note 17 – Restatement of Beginning Net Position

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

To the Board of Directors  
of the South Orange County Wastewater Authority  
Dana Point, California  
Page 3

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 29, 2025.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Authority’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Schedule of the Proportionate Share of the Net Pension Liability and Related Ratios, the Schedule of Contributions – Pensions, the Schedule of Changes in Net OPEB Liability and Related Ratios, and the Schedule of Contributions - OPEB, which is required supplementary information (“RSI”) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the information and use of the Board of Directors and management of the Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*The Pric Group, LLP*

Santa Ana, California



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

**Independent Auditor's Report**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (“*Government Auditing Standards*”), the financial statements of the business-type activities of the South Orange County Wastewater Authority (the “Authority”), as of and for the years ended June 30, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated December 29, 2025.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audits of the financial statements, we considered the Authority’s internal control over financial reporting (“internal control”) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2025-001 that we consider to be a material weakness.

To the Board of Directors  
of the South Orange County Wastewater Authority  
Dana Point, California  
Page 2

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Authority's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Authority's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*The PwC Group, LLP*

Santa Ana, California  
December 29, 2025

**South Orange County Wastewater Authority**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2025**

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**Finding 2025-001 Internal Control Over Financial Reporting**

**Criteria:**

Management is responsible for designing and maintaining effective internal control over financial reporting. This includes preparing monthly bank reconciliations in a timely manner and obtaining documented supervisory review and approval. This also includes performing a complete and accurate year end close process, such as identifying, supporting, and recording all accounts payable accruals, and performing review procedures designed to detect and correct errors before the financial statements are issued.

**Condition:**

During our audit, we noted the following items related to financial reporting controls:

1. **Bank reconciliation:** We noted a delay in the approval of the January 2025 bank reconciliation due to staff turnover at the Authority.
2. **Accounts payable accruals:** We noted that certain accounts payable accruals were missed SOCWA booked closing journal entries to correct these items.
3. **Capital Asset:**
  - a. **Construction in progress labor costs:** We noted that labor costs capitalized to certain construction in progress projects did not have sufficient supporting documentation. Specifically, the project closeout process did not include a labor reconciliation step at the time Engineering completed the project. As a result, labor costs were recorded without adequate support to demonstrate completeness and accuracy.
  - b. **Project Committee 23 (PC23) capital asset:** During the audit, we were unable to perform comprehensive audit procedures over the PC 23 capital assets.

**Cause:**

These conditions occurred primarily because there was significant turnover within the Finance Department during the year. The turnover reduced continuity and available capacity, which contributed to delays in completing and approving the monthly bank reconciliation and increased the likelihood that certain accounts payable accrual procedures were not performed timely or consistently during the year end close process. In addition, changes in management contributed to gaps in the project closeout process, including the absence of a formal labor reconciliation procedure for construction in progress.

**Effect:**

Delays in bank reconciliation review, missed accounts payable accruals, unsupported construction in progress labor costs and insufficient support for PC 23 capital assets increase the risk that errors in cash activity, liabilities, and capitalized project costs are not identified and corrected on a timely basis. These conditions also increase the risk that the financial statements may contain misstatements and may require audit adjustments to achieve accurate reporting.

**South Orange County Wastewater Authority**  
**Schedule of Findings and Questioned Costs (Continued)**  
**For the Year Ended June 30, 2025**

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**Finding 2025-001 Internal Control Over Financial Reporting (Continued):**

**Recommendation:**

We recommend that management implement and consistently follow written procedures that require monthly bank reconciliations to be prepared and approved within established deadlines and that require evidence of supervisory review and approval to be retained. We also recommend that management strengthen the year end close process by using a formal closing checklist that includes specific steps to identify and support accounts payable accruals and construction in progress balances. This checklist should include a documented labor reconciliation as part of the project closeout process prior to capitalizing labor costs. In addition, management should implement procedures to support PC 23 capital asset financial reporting, including maintaining complete supporting documentation for additions and disposals, performing periodic reconciliations of detailed capital asset records to the general ledger, and providing the audit support timely.

**View of Responsible Officials:**

Management have reviewed the audit findings related to internal control over financial reporting. We concur with the auditors' assessment and appreciate the identification of these areas for improvement.

While these deficiencies did not result in material misstatements to the financial statements, we recognize their potential impact on the accuracy and timeliness of financial reporting, as well as the risk of undetected errors in cash activities, payables, and project costs. To address these matters, management has developed the following corrective action plan:

1. **Bank Reconciliations:** While we already have an established monthly reconciliation process, it was missed in this instance due to staff turnover. To prevent future occurrences, we will incorporate this process explicitly into the Financial Procedures Manual.
2. **Accounts Payable Accruals:** Enhanced procedures will be established to ensure all year-end accruals are captured through a comprehensive checklist that includes cross-verification with vendor invoices, purchase orders, and departmental approvals. Training sessions for accounting staff on accrual identification and journal entry preparation will be conducted. These updated procedures will be included in the Financial Procedures Manual.
3. **Construction in Progress Labor Costs:** We will add a documented labor reconciliation step into the capital project closeout process, requiring timesheet reviews and capitalization support prior to finalizing any project. This will include periodic audits of in-progress projects to verify compliance to track labor hours more accurately. These procedures will also be included in the Financial Procedures Manual.

Management is committed to strengthening our internal controls to prevent recurrence and will monitor the effectiveness of these actions through quarterly internal reviews with updates to the Authority's Finance Committee and governing Board. We believe these steps will enhance the reliability of our financial reporting and support Authority's mission of efficient wastewater management.



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

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the South Orange County Wastewater Authority (the "Authority") for the years ended June 30, 2025 and 2024 and have issued our report thereon dated December 29, 2025.

#### **Allocation to Member Agency Project Committees (PCs)**

During the audit, we observed opportunities to enhance the allocation processes for certain balance sheet items, such as cash and investments, prepaid expenses, pension liabilities, and other postemployment benefits liabilities to better support the agency's project funding priorities and ensure timely and transparent visibility through the financial audit.

#### **Recommendation:**

While we understand the Authority's intent to reduce administrative costs and eliminate any unnecessary allocation steps, if the Authority intends to not allocate the balance sheet items noted above, the Cost Allocation Policy should be revised to make that point clear and to explain why that is the case. The Policy should also address how the associated expense for these liabilities is to be accounted for.

#### **Member Agency Billing Methodology**

We noted that member agency billings were issued under a revised methodology before the revised approach was documented as being received and filed by the Board. Based on the invoice support provided, revised quarterly billings were issued between January and April 2025. The Board minutes stated that the Board received and filed the Updated Quarterly Billings on May 1, 2025. This timing indicates the revised billings were implemented prior to the documented Board action.

#### **Recommendation:**

Management should obtain and retain documentation that explicitly evidences Board approval of any billing methodology that deviates from the original budget before revised billings are issued.

#### **Restriction of Use**

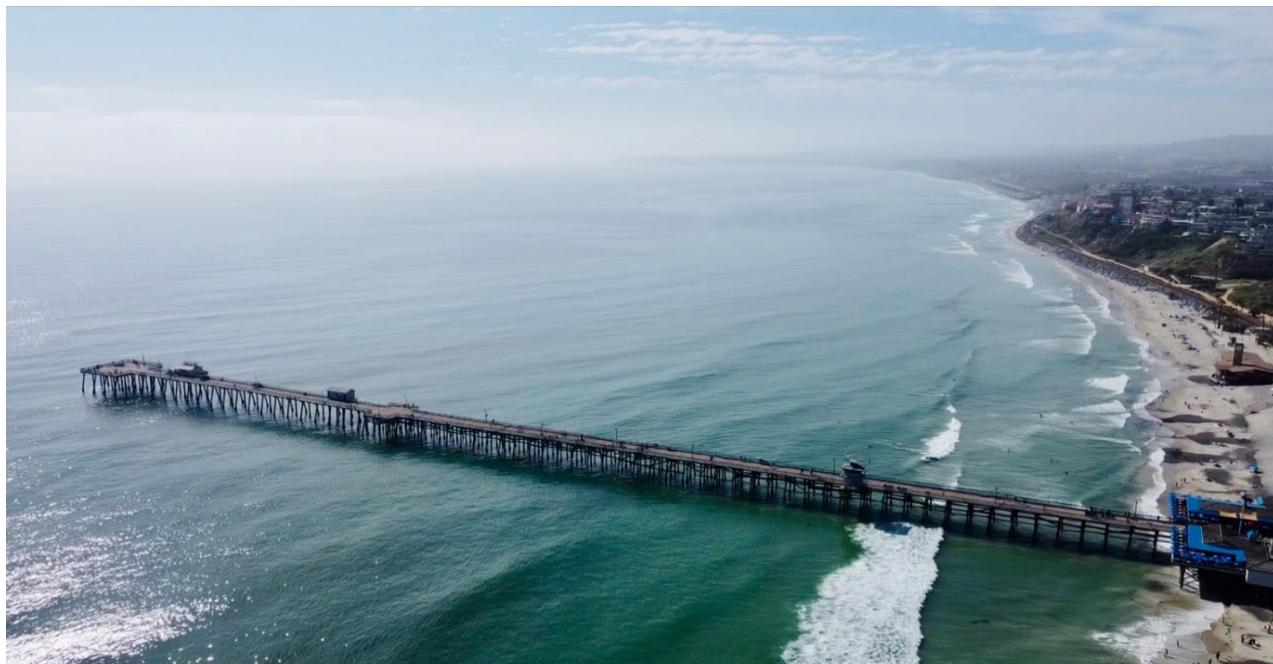
This information is intended solely for the use of the management of the Authority and is not intended to be, and should not be, used by anyone other than the specific parties.



Santa Ana, California  
December 29, 2025



**USE AUDIT BOOK**  
**FY 2024-25 Budget vs ACTUAL**  
**January 8, 2025**



**South Orange County Wastewater Authority  
Use Audit Book  
FY 2024-25 Budget vs. Actual**

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**South Orange County Wastewater Authority**  
**FY 2024-25 Use Audit Summary**

**SOCWA by Member Agency**

City of Laguna Beach  
 City of San Clemente  
 El Toro Water District  
 Emerald Bay Service District  
 IRWD ( c.o. El Toro W.D.)  
 Moulton Niguel Water District  
 Santa Margarita Water District  
 South Coast Water District  
**Total Member Agency**

Actual Spending and Actual Usage						
O&M			Small Capital	Large Capital	Non-Capital	Total
FY 2024-25 Billings	FY 2024-25 Actual	(Over)/Under Budget	(Over)/Under Budget	(Over)/Under Budget	(Over)/Under Budget	USE Audit Results
\$2,230,996	\$2,267,898	(\$36,902)	(\$9,631)	(\$80,092)	(\$11,132)	(\$137,758)
289,184	254,699	\$34,485				\$34,485
905,283	699,381	\$205,902	\$16,166		(\$2,285)	\$219,782
229,822	189,219	\$40,603	\$3,364	(\$6,289)	(\$423)	\$37,256
181,998	150,464	\$31,534				\$31,534
6,360,750	7,369,295	(\$1,008,545)	\$93,059	(\$138,813)		(\$1,054,299)
6,083,580	6,009,375	\$74,205	\$129,934	(\$42,199)	\$20,188	\$182,128
6,113,488	4,529,385	\$1,584,103	\$21,481	(\$97,495)	\$38,097	\$1,546,185
<b>\$22,395,101</b>	<b>\$21,469,716</b>	<b>\$925,385</b>	<b>\$254,372</b>	<b>(\$364,889)</b>	<b>\$44,444</b>	<b>\$859,313</b>

**South Orange County Wastewater Authority**  
**Unfunded Pension Liability (UAL) and Retiree Health (OPEB)**  
**Annual Expense Included in Actuals**

**UAL & OPEB**

City of Laguna Beach  
 City of San Clemente  
 El Toro Water District  
 Emerald Bay Service District  
 IRWD ( c.o. El Toro W.D.)  
 Moulton Niguel Water District  
 Santa Margarita Water District  
 South Coast Water District

**Total**

<b>O&amp;M</b>						
<b>FY 2024-25 Budget</b>	<b>FY 2024-25 Actual<sup>1</sup></b>	<b>(Over)/Under Budget</b>	<b>% Expended</b>	<b>Bd Approved Method FY 24-25</b>	<b>Bd Approved Method FY 23-24</b>	<b>% Change between 2025 and 2024</b>
\$231,081	\$228,199	\$2,882	98.75%	10.72%	10.76%	-0.04%
15,088	14,900	188	98.75%	0.70%	0.71%	-0.01%
74,095	73,171	924	98.75%	3.44%	3.41%	0.03%
10,152	10,025	127	98.75%	0.47%	0.48%	0.00%
16,101	15,900	201	98.75%	0.75%	0.74%	0.00%
948,020	936,196	11,824	98.75%	43.99%	43.74%	0.24%
452,003	446,365	5,638	98.75%	20.97%	21.08%	-0.11%
408,719	403,621	5,098	98.75%	18.96%	19.08%	-0.11%
<b>Total</b>	<b>\$2,155,259</b>	<b>\$2,128,377</b>	<b>\$26,882</b>	<b>98.75%</b>	<b>100.00%</b>	<b>0.00%</b>

<sup>1</sup>The expense is over budget, \$18,356, due to retiree health "pay-go" premium increases.

Unfunded Accrued Pension Liability(UAL)

1,513,373

OPEB/Retiree Health Insurance(Pay-Go)

615,004

**Total**

**2,128,377**

**South Orange County Wastewater Authority**  
**FY 2024-25 Use Audit by Member Agency**  
(in dollars)

<b>O&amp;M</b>				
	<b>FY 2024-25 Budget</b>	<b>FY 2024-25 Actual</b>	<b>(Over)/Under Budget</b>	<b>% Expended</b>
<b>Member Agency</b>				
City of Laguna Beach	\$1,978,671	\$1,760,785	\$217,886	89.0%
City of San Clemente	175,687	145,023	30,664	82.5%
El Toro Water District	947,314	491,903	455,411	51.9%
Emerald Bay Service District	99,822	90,619	9,203	90.8%
IRWD ( c.o. El Toro W.D.)	147,591	120,797	26,793	81.8%
Moulton Niguel Water District	8,970,861	5,704,716	3,266,145	63.6%
Santa Margarita Water District	5,049,184	4,923,641	125,542	97.5%
South Coast Water District	4,244,663	3,633,433	611,229	85.6%
<b>Total Member Agency</b>	<b>\$21,613,791</b>	<b>\$16,870,918</b>	<b>\$4,742,873</b>	<b>78.1%</b>

**Member Agency Administration and Residual Engineering Expenses Allocation Percentages**

City of Laguna Beach	9.2%	10.44%	-1.3%
City of San Clemente	0.8%	0.86%	0.0%
El Toro Water District	4.4%	2.92%	1.5%
Emerald Bay Service District	0.5%	0.54%	-0.1%
IRWD ( c.o. El Toro W.D.)	0.7%	0.72%	0.0%
Moulton Niguel Water District	41.5%	33.81%	7.7%
Santa Margarita Water District	23.4%	29.18%	-5.8%
South Coast Water District	19.6%	21.54%	-1.9%
<b>Total Allocation Percentages</b>	<b>100.0%</b>	<b>100.00%</b>	<b>0.0%</b>

<b>Residual Engineering Expenses</b>	227,291	136,664	90,627
<b>Administration Expenses</b>	2,346,107	2,333,756	12,351
<b>Less General Fund<sup>2</sup></b>	<b>(584,565)</b>	<b>(547,733)</b>	<b>(36,832)</b>
<b>Total Administration and Residual Engineering Expenses</b>	<b>1,988,833</b>	<b>1,922,688</b>	<b>66,145</b>

**Member Agency Administration and Residual Engineering Expenses and Percent Change Year over Year<sup>2</sup>**

<b>O&amp;M</b>				
	<b>FY 2024-25 Budget</b>	<b>FY 2024-25 Actual</b>	<b>(Over)/Under Budget</b>	<b>% Expended</b>
City of Laguna Beach	182,071	200,667	(18,596)	110.2%
City of San Clemente	16,166	16,528	(361)	102.2%
El Toro Water District	87,169	56,060	31,109	64.3%
Emerald Bay Service District	9,185	10,327	(1,142)	112.4%
IRWD ( c.o. El Toro W.D.)	13,581	13,767	(186)	101.4%
Moulton Niguel Water District	825,470	650,136	175,335	78.8%
Santa Margarita Water District	464,610	561,121	(96,511)	120.8%
South Coast Water District	390,580	414,083	(23,502)	106.0%
<b>Total Administration and Residual Engineering Expenses<sup>2</sup></b>	<b>1,988,833</b>	<b>1,922,688</b>	<b>66,145</b>	<b>96.7%</b>

**Member Agency General Fund Expenses and Member Agencies Distribution Percentages**

City of Laguna Beach	83,509	14.3%	78,248	13.4%
City of San Clemente	83,509	14.3%	78,248	13.4%
El Toro Water District	83,509	14.3%	78,248	13.4%
Emerald Bay Service District	83,509	14.3%	78,248	13.4%
IRWD ( c.o. El Toro W.D.)	83,509	14.3%	78,248	13.4%
Moulton Niguel Water District	83,509	14.3%	78,248	13.4%
Santa Margarita Water District	83,509	14.3%	78,248	13.4%
South Coast Water District	83,509	14.3%	78,248	13.4%
<b>Total Member Agency (3)</b>	<b>584,565</b>	<b>100.0%</b>	<b>547,733</b>	<b>93.7%</b>

**South Orange County Wastewater Authority**  
**FY 2024-25 Use Audit by Member Agency**  
(in dollars)

<b>O&amp;M</b>			
<b>FY 2024-25 Budget</b>	<b>FY 2024-25 Actual</b>	<b>(Over)/Under Budget</b>	<b>% Expended</b>
<b>*Member Agency Administration, Residual Engineering and General Fund Expenses and Change</b>			
City of Laguna Beach	265,580	278,915	(13,334)
City of San Clemente	99,675	94,775	4,900
El Toro Water District	170,678	134,307	36,371
Emerald Bay Service District	92,695	88,575	4,120
IRWD ( c.o. El Toro W.D.)	13,581	13,767	(186)
Moulton Niguel Water District	908,980	728,383	180,596
Santa Margarita Water District	548,119	639,369	(91,249)
South Coast Water District	474,090	492,330	(18,241)
<b>Total Member Agency</b>	<b>2,573,398</b>	<b>2,470,421</b>	<b>102,977</b>
			<b>96.0%</b>

**Total O&M Budget by Member Agency, O&M, Admin, Residual Engineering and General Fund Change**

<b>O&amp;M</b>			
<b>FY 2024-25 Budget</b>	<b>FY 2024-25 Actual</b>	<b>(Over)/Under Budget</b>	<b>% Expended</b>
City of Laguna Beach	2,244,251	2,039,699	204,552
City of San Clemente	275,363	239,798	35,564
El Toro Water District	1,117,992	626,211	491,782
Emerald Bay Service District	192,516	179,193	13,323
IRWD ( c.o. El Toro W.D.)	161,172	134,564	26,607
Moulton Niguel Water District	9,879,840	6,433,099	3,446,741
Santa Margarita Water District	5,597,303	5,563,010	34,293
South Coast Water District	4,718,752	4,125,764	592,988
<b>Total</b>	<b>24,187,189</b>	<b>19,341,339</b>	<b>4,845,850.43</b>
			<b>80.0%</b>

**UAL & OPEB**

City of Laguna Beach	\$231,081	\$228,199	\$2,882	98.8%
City of San Clemente	15,088	14,900	188	98.8%
El Toro Water District	74,095	73,171	924	98.8%
Emerald Bay Service District	10,152	10,025	127	98.8%
IRWD ( c.o. El Toro W.D.)	16,101	15,900	201	98.8%
Moulton Niguel Water District	948,020	936,196	11,824	98.8%
Santa Margarita Water District	452,003	446,365	5,638	98.8%
South Coast Water District	408,719	403,621	5,098	98.8%
<b>Total</b>	<b>\$2,155,259</b>	<b>\$2,128,377</b>	<b>\$26,882</b>	<b>98.8%</b>

**Total O&M Budget**

City of Laguna Beach	\$2,475,332	\$2,267,898	\$207,434	91.6%
City of San Clemente	290,451	254,699	35,752	87.7%
El Toro Water District	1,192,087	699,381	492,706	58.7%
Emerald Bay Service District	202,668	189,219	13,449	93.4%
IRWD ( c.o. El Toro W.D.)	177,273	150,464	26,808	84.9%
Moulton Niguel Water District	10,827,860	7,369,295	3,458,566	68.1%
Santa Margarita Water District	6,049,306	6,009,375	39,931	99.3%
South Coast Water District	5,127,472	4,529,385	598,086	88.3%
<b>Total O&amp;M Budget</b>	<b>\$26,342,448</b>	<b>\$21,469,716</b>	<b>\$4,872,732</b>	<b>81.5%</b>

<b>Amount Invoiced<sup>1</sup></b>	\$22,395,101	\$21,469,716	-\$925,385	95.9%
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<sup>1</sup> Amount invoiced differed from the budget for Q3 & Q4, totaling a \$3,947,347 difference between total O&M budget

**South Orange County Wastewater Authority**  
**FY 2024-25 Use Audit by Project Committee and Member Agency**

City of Laguna Beach	City of San Clemente	Ei Toro Water District	Emerald Bay Service District	IRWD (c.o. Ei Toro W.D.)	Moulton Niguel Water District	Santa Margarita Water District	South Coast Water District	Total
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**O&M Actual**

Project Committee

PC 2 - Jay B. Latham Plant	\$ -	\$ -	\$ -	\$ -	\$ 1,424,635	\$ 4,460,002	\$ 1,654,716	\$ 7,539,353
PC 5 - San Juan Creek Ocean Outfall	-	106,035	-	-	98,953	353,450	79,558	637,996
PC 8 - Pretreatment Program	10,170	38,988	6,635	4,142	23,382	37,913	60,686	214,650
PC 12 SO- Water Reclamation Permits	-	-	-	-	-	33,657	49,503	15,101
PC 15 - Coastal Treatment Plant/AWT	1,311,275	-	-	65,434	-	211,409	-	1,506,897
PC 17 - Joint Regional Wastewater Reclamation	371,345	-	384,500	16,221	-	3,627,109	-	268,337
PC 21 Effluent Transmission Main	-	-	-	-	-	-	-	0
PC 23 North Coast Interceptor	-	-	-	-	-	-	-	0
PC 24 - Aliso Creek Ocean Outfall	67,994	-	100,768	4,821	97,416	271,040	-	76,092
<b>Total</b>	<b>\$1,760,785</b>	<b>\$145,023</b>	<b>\$491,903</b>	<b>\$90,619</b>	<b>\$120,797</b>	<b>\$5,704,716</b>	<b>\$4,923,641</b>	<b>\$3,633,433</b>
								<b>\$16,870,918</b>

**Total Admin, General Fund & Engineering**

<b>Total Admin, General Fund &amp; Engineering</b>	<b>\$278,915</b>	<b>\$94,775</b>	<b>\$134,307</b>	<b>\$88,575</b>	<b>\$13,767</b>	<b>\$728,383</b>	<b>\$639,369</b>	<b>\$492,330</b>	<b>\$2,470,421</b>
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**Admin Allocation to Project Committees:**

Project Committee

PC 2 - Jay B. Latham Plant	0.0%	0.0%	0.0%	0.0%	0.0%	25.0%	90.6%	45.5%	44.7%
PC 5 - San Juan Creek Ocean Outfall	0.0%	73.1%	0.0%	0.0%	0.0%	1.7%	7.2%	2.2%	3.8%
PC 8 - Pretreatment Program	0.6%	26.9%	1.3%	4.6%	19.4%	0.7%	1.2%	0.9%	1.3%
PC 12 SO- Water Reclamation Permits	0.0%	0.0%	0.0%	0.0%	0.0%	0.6%	1.0%	0.4%	0.6%
PC 15 - Coastal Treatment Plant/AWT	74.5%	0.0%	0.0%	72.2%	0.0%	3.7%	0.0%	41.5%	18.3%
PC 17 - Joint Regional Wastewater Reclamation	21.1%	0.0%	78.2%	17.9%	0.0%	63.6%	0.0%	7.4%	27.7%
PC 21 Effluent Transmission Main	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
PC 23 North Coast Interceptor	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
PC 24 - Aliso Creek Ocean Outfall	3.9%	0.0%	20.5%	5.3%	80.6%	4.8%	0.0%	2.1%	3.7%
<b>Total</b>	<b>100.0%</b>								

**Admin Allocation to Project Committees:**

Project Committee

PC 2 - Jay B. Latham Plant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 181,899	\$ 579,162	\$ 224,214	\$ 985,275
PC 5 - San Juan Creek Ocean Outfall	-	69,296	-	-	-	12,634	45,898	10,780	138,608
PC 8 - Pretreatment Program	1,611	25,479	1,812	4,049	2,665	4,841	7,881	4,435	52,772
PC 12 SO- Water Reclamation Permits	-	-	-	-	-	4,297	6,428	2,046	12,772
PC 15 - Coastal Treatment Plant/AWT	207,711	-	-	63,958	-	26,993	-	204,185	502,847
PC 17 - Joint Regional Wastewater Reclamation	58,822	-	104,982	15,855	-	463,113	-	36,360	679,132
PC 21 Effluent Transmission Main	-	-	-	-	-	-	-	-	-
PC 23 North Coast Interceptor	-	-	-	-	-	-	-	-	-
PC 24 - Aliso Creek Ocean Outfall	10,771	-	27,513	4,713	11,102	34,607	-	10,310	99,016
<b>Total</b>	<b>\$278,915</b>	<b>\$94,775</b>	<b>\$134,307</b>	<b>\$88,575</b>	<b>\$13,767</b>	<b>\$728,383</b>	<b>\$639,369</b>	<b>\$492,330</b>	<b>\$2,470,421</b>

**South Orange County Wastewater Authority**  
**FY 2024-25 Use Audit by Project Committee and Member Agency**

	<b>City of Laguna Beach</b>	<b>City of San Clemente</b>	<b>El Toro Water District</b>	<b>Emerald Bay Service District</b>	<b>IRWD (c.o. El Toro W.D.)</b>	<b>Moulton Niguel Water District</b>	<b>Santa Margarita Water District</b>	<b>South Coast Water District</b>	<b>Total</b>	
<b>O&amp;M USE AUDIT by Project Committee &amp; Member Agency</b>										
Project Committee										
PC 2 - Jay B. Latham Plant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,606,534	\$ 5,039,163	\$ 1,878,930	\$ 8,524,627	
PC 5 - San Juan Creek Ocean Outfall		175,331				111,588	399,348	90,338	776,605	
PC 8 - Pretreatment Program	11,781	64,468	8,447	8,191	26,046	42,753	68,567	37,168	267,422	
PC 12 SO- Water Reclamation Permits	-	-	-	-	-	37,954	55,932	17,147	111,034	
PC 15 - Coastal Treatment Plant/AWT	1,518,986	-	-	129,392	-	238,401	-	1,711,082	3,597,861	
PC 17 - Joint Regional Wastewater Reclamation	430,167	-	489,483	32,076	-	4,090,222	-	304,696	5,346,643	
PC 21 Effluent Transmission Main	-	-	-	-	-	-	-	-	-	
PC 23 North Coast Interceptor	-	-	-	-	-	-	-	-	-	
PC 24 - Aliso Creek Ocean Outfall	78,765	-	128,281	9,534	108,518	305,647	-	86,402	717,147	
<b>Total</b>	<b>\$2,039,699</b>	<b>\$239,798</b>	<b>\$626,211</b>	<b>\$179,193</b>	<b>\$134,564</b>	<b>\$6,433,099</b>	<b>\$5,563,010</b>	<b>\$4,125,764</b>	<b>\$19,341,339</b>	
<b>UAL &amp; OPEB USE AUDIT by Project Committee &amp; Member Agency</b>										
Project Committee										
PC 2 - Jay B. Latham Plant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 233,795.54	\$ 404,332.73	\$ 183,814.74	\$ 821,943	
PC 3 - Plant 3A	-	-	-	-	-	-	-	-	-	
PC 5 - San Juan Creek Ocean Outfall	-	10,894	-	-	-	16,239	32,043	8,838	68,014	
PC 8 - Pretreatment Program	1,318	4,006	987	458	3,078	6,222	5,502	3,636	25,206	
PC 12 SO- Water Reclamation Permits	-	-	-	-	-	5,523	4,488	1,678	11,689	
PC 15 - Coastal Treatment Plant/AWT	169,942	-	-	7,239	-	34,694	-	167,394	379,269	
PC 17 - Joint Regional Wastewater Reclamation	48,127	-	57,194	1,795	-	595,241	-	29,808	732,165	
PC 21 Effluent Transmission Main	-	-	-	-	-	-	-	-	-	
PC 23 North Coast Interceptor	-	-	-	-	-	-	-	-	-	
PC 24 - Aliso Creek Ocean Outfall	8,812	-	14,989	533	12,823	44,480	-	8,453	90,090	
<b>Total</b>	<b>\$228,199</b>	<b>\$14,900</b>	<b>\$73,171</b>	<b>\$10,025</b>	<b>\$15,900</b>	<b>\$936,196</b>	<b>\$446,365</b>	<b>\$403,621</b>	<b>\$2,128,377</b>	
	10.72%	0.70%	3.44%	0.47%	0.75%	43.99%	20.97%	18.96%	100.00%	
<b>Total USE AUDIT by Project Committee &amp; Member Agency</b>										
Project Committee										
PC 2 - Jay B. Latham Plant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,840,329	\$ 5,443,496	\$ 2,062,745	\$ 9,346,570	
PC 3 - Plant 3A	-	-	-	-	-	-	-	-	-	
PC 5 - San Juan Creek Ocean Outfall	-	186,225	-	-	-	127,827	431,391	99,176	844,619	
PC 8 - Pretreatment Program	13,099	68,474	9,434	8,649	29,124	48,975	74,069	40,804	292,629	
PC 12 SO- Water Reclamation Permits	-	-	-	-	-	43,478	60,420	18,825	122,722	
PC 15 - Coastal Treatment Plant/AWT	1,688,928	-	-	136,631	-	273,096	-	1,878,476	3,977,131	
PC 17 - Joint Regional Wastewater Reclamation	478,294	-	546,677	33,870	-	4,685,463	-	334,504	6,078,808	
PC 21 Effluent Transmission Main	-	-	-	-	-	-	-	-	-	
PC 23 North Coast Interceptor	-	-	-	-	-	-	-	-	-	
PC 24 - Aliso Creek Ocean Outfall	87,577	-	143,270	10,068	121,340	350,127	-	94,855	807,237	
<b>Total</b>	<b>2,267,898</b>	<b>254,699</b>	<b>699,381</b>	<b>189,219</b>	<b>150,464</b>	<b>7,369,295</b>	<b>6,009,375</b>	<b>4,529,385</b>	<b>21,469,716</b>	
<b>Budget Amount Invoiced</b>										
Project Committee										
PC 2 - Jay B. Latham Plant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 914,816	\$ 5,268,104	\$ 3,359,542	\$ 9,542,462	
PC 3A-Plant 3A/AWT	-	-	-	-	-	79,950	15,700	-	95,650	
PC 5 - San Juan Creek Ocean Outfall	-	189,280	-	-	-	62,692	505,088	131,865	888,925	
PC 8 - Pretreatment Program	25,808	99,904	11,776	8,608	52,490	123,780	123,074	61,655	507,095	
PC 12 SO- Water Reclamation Permits	-	-	108	-	176	156,836	171,614	49,601	378,335	
PC 15 - Coastal Treatment Plant/AWT	1,745,832	-	-	186,670	-	142,466	-	2,141,796	4,216,764	
PC 17 - Joint Regional Wastewater Reclamation	364,086	-	517,154	25,092	-	4,710,186	-	268,688	5,885,206	
PC 21 Effluent Transmission Main	-	-	-	-	-	-	-	-	-	
PC 23 North Coast Interceptor	-	-	-	-	-	-	-	-	-	
PC 24 - Aliso Creek Ocean Outfall	95,270	-	376,245	70	9,452	129,332	170,024	-	100,341	880,664
<b>*Total</b>	<b>\$2,230,996</b>	<b>\$289,184</b>	<b>\$905,283</b>	<b>\$229,822</b>	<b>\$181,998</b>	<b>\$6,360,750</b>	<b>\$6,083,580</b>	<b>\$6,113,488</b>	<b>\$22,395,101</b>	

**South Orange County Wastewater Authority**  
**FY 2024-25 Use Audit by Project Committee and Member Agency**

	<b>City of Laguna Beach</b>	<b>City of San Clemente</b>	<b>El Toro Water District</b>	<b>Emerald Bay Service District</b>	<b>IRWD (c.o. El Toro W.D.)</b>	<b>Moulton Niguel Water District</b>	<b>Santa Margarita Water District</b>	<b>South Coast Water District</b>	<b>Total</b>
<b>USE AUDIT Entry</b>									
Project Committee									
PC 2 - Jay B. Latham Plant	\$ -	\$ -	\$ -	\$ -	\$ (925,513)	\$ (175,392)	\$ 1,296,797	\$ 195,892	
PC 3A-Plant 3A/AWT	-	-	-	-	79,950	15,700	-	95,650	
PC 5 - San Juan Creek Ocean Outfall	-	3,055	-	-	(65,135)	73,697	32,689	44,306	
PC 8 - Pretreatment Program	12,709	31,430	2,342	(41)	23,366	74,805	49,005	20,851	214,466
PC 12 SO- Water Reclamation Permits	-	-	108	-	176	113,358	111,194	30,776	255,613
PC 15 - Coastal Treatment Plant/AWT	56,904	-	-	50,039	-	(130,630)	-	263,320	239,633
PC 17 - Joint Regional Wastewater Reclamation	(114,208)	-	(29,523)	(8,778)	-	24,723	-	(65,816)	(193,602)
PC 21 Effluent Transmission Main	-	-	-	-	-	-	-	-	-
PC 23 North Coast Interceptor	-	-	-	-	-	-	-	-	-
PC 24 - Aliso Creek Ocean Outfall	7,693	-	232,975	(616)	7,992	(180,103)	-	5,486	73,427
<b>Total</b>	<b>(\$36,902)</b>	<b>\$34,485</b>	<b>\$205,902</b>	<b>\$40,603</b>	<b>\$31,534</b>	<b>(\$1,008,545)</b>	<b>\$74,205</b>	<b>\$1,584,103</b>	<b>\$925,385</b>

**South Orange County Wastewater Authority**  
**Preliminary O & M & Environmental Safety Costs Summary<sup>1</sup>**  
For the Period Ended June 30, 2025  
(in dollars)

	FY 2024-25 Budget	Actual	(Over)/Under Budget	% Expended
<b>Salary and Fringe</b>				
**-5000-**-**-**	Regular Salaries-O&M	5,706,265	4,329,944	1,376,321 75.9%
**-5001-**-**-**	Overtime Salaries-O&M	65,000	69,131	(4,131) 106.4% (1)
**-5306-**-**-**	Scheduled Holiday Work	30,000	29,867	133 99.6%
**-5315-**-**-**	Comp Time - O&M	15,000	37,225	(22,225) 248.2% (1)
**-5401-**-**-**	Fringe Benefits IN to PC's & Depts.	3,071,493	2,177,096	894,397 70.9%
**-5700-**-**-**	Standby Pay	99,992	99,500	492 99.5%
	Total Payroll Costs	8,987,750	6,742,763	2,244,987 75.0%
<b>Other Expenses</b>				
**-5002-**-**-**	Electricity	1,299,100	1,501,215	(202,115) 115.6% (2)
**-5003-**-**-**	Natural Gas	509,860	257,356	252,504 50.5%
**-5004-**-**-**	Potable & Reclaimed Water	79,400	58,837	20,563 74.1%
**-5005-**-**-**	Co-generation Power Credit	(1,367,100)	(491,653)	(875,447) 36.0%
**-5006-**-**-**	Chlorine/Sodium Hypochlorite	219,300	340,218	(120,918) 155.1% (3)
**-5007-**-**-**	Polymer Products	1,153,500	766,988	386,512 66.5%
**-5008-**-**-**	Ferric Chloride	982,500	890,814	91,686 90.7%
**-5009-**-**-**	Odor Control Chemicals	181,700	160,777	20,923 88.5%
**-5010-**-**-**	Other Chemicals - Misc.	2,000	2,186	(186) 109.3%
**-5011-**-**-**	Laboratory Services	62,128	32,138	29,990 51.7%
**-5012-**-**-**	Grit Hauling	135,800	130,433	5,367 96.0%
**-5013-**-**-**	Landscaping	217,300	178,642	38,658 82.2%
**-5015-**-**-**	Management Support Services	285,550	199,341	86,209 69.8%
**-5016-**-**-**	Audit - Environmental	1,324	-	1,324 0.0%
**-5017-**-**-**	Legal Fees	19,000	1,178	17,822 6.2%
**-5018-**-**-**	Public Notices/ Public Relations	1,550	-	1,550 0.0%
**-5019-**-**-**	Contract Services Misc.	364,700	287,643	77,057 78.9%
**-5021-**-**-**	Small Vehicle Expense	24,548	33,327	(8,778) 135.8%
**-5022-**-**-**	Miscellaneous Expense	16,068	8,978	7,090 55.9%
**-5023-**-**-**	Office Supplies - All	49,500	29,117	20,383 58.8%
**-5024-**-**-**	Petroleum Products	28,400	8,125	20,275 28.6%
**-5025-**-**-**	Uniforms	80,400	122,093	(41,693) 151.9% (4)
**-5026-**-**-**	Small Vehicle Fuel	20,404	14,511	5,893 71.1%
**-5027-**-**-**	Insurance - Property/Liability	638,224	592,814	45,411 92.9%
**-5028-**-**-**	Small Tools & Supplies	80,052	35,170	44,882 43.9%
**-5030-**-**-**	Trash Disposal	10,000	6,737	3,263 67.4%
**-5031-**-**-**	Safety Program & Supplies	117,252	81,294	35,958 69.3%
**-5032-**-**-**	Equipment Rental	7,000	9,637	(2,637) 137.7%
**-5033-**-**-**	Recruitment	2,300	-	2,300 0.0%
**-5034-**-**-**	Travel Expense/Tech. Conferences	69,775	35,865	33,910 51.4%
**-5035-**-**-**	Training Expense	87,050	66,104	20,946 75.9%
**-5036-**-**-**	Laboratory Supplies	140,048	143,604	(3,556) 102.5%
**-5037-**-**-**	Office Equipment	27,000	11,421	15,579 42.3%
**-5038-**-**-**	Permits	698,551	658,474	40,077 94.3%
**-5039-**-**-**	Membership Dues/Fees	12,647	12,988	(341) 102.7%
**-5044-**-**-**	Offshore Monitoring	60,116	82,269	(22,153) 136.9%
**-5045-**-**-**	Offshore Biochemistry - 20B	22,854	17,946	4,908 78.5%
**-5046-**-**-**	Effluent Chemistry	51,908	57,914	(6,006) 111.6%
**-5047-**-**-**	Access Road Expenses	45,000	264	44,736 0.6%
**-5048-**-**-**	Storm Damage	20,000	-	20,000 0.0%
**-5049-**-**-**	Biosolids Disposal	1,854,800	1,063,726	791,074 57.3%
**-5050-**-**-**	Contract Services Generators - 29A	23,200	21,165	2,035 91.2%
**-5052-**-**-**	Janitorial Services	97,900	80,980	16,920 82.7%
**-5053-**-**-**	Contract Serv - Digester Cleaning - 29E	65,000	-	65,000 0.0%
**-5054-**-**-**	Diesel Truck Maint	44,300	34,341	9,959 77.5%
**-5055-**-**-**	Diesel Truck Fuel	12,100	9,168	2,932 75.8%

**South Orange County Wastewater Authority**  
**Preliminary O & M & Environmental Safety Costs Summary<sup>1</sup>**  
For the Period Ended June 30, 2025  
(in dollars)

**-5056-**-**-**	Maintenance Equip. & Facilities (Solids)	305,300	196,960	108,340	64.5%
**-5057-**-**-**	Maintenance Equip. & Facilities (Liquids)	500,000	390,068	109,932	78.0%
**-5058-**-**-**	Maintenance Equip. & Facilities (Common)	92,000	61,543	30,457	66.9%
**-5059-**-**-**	Maintenance Equip. & Facilities (Co-Gen)	826,000	596,176	229,824	72.2%
**-5060-**-**-**	Maintenance Equip. & Facilities (AWT)	30,000	13,562	16,438	45.2%
**-5061-**-**-**	Mileage	2,950	2,198	752	74.5%
**-5068-**-**-**	MWWD Potable Water Supplies & Svcs.	40,000	32,950	7,051	82.4%
**-5076-**-**-**	SCADA Infrastructure	93,600	60,421	33,179	64.6%
**-5077-**-**-**	IT Direct	58,000	111,610	(53,610)	192.4% (5)
**-5105-**-**-**	Co-Generation Power Credit - Offset	1,367,100	491,653	875,447	36.0%
**-5309-**-**-**	Operating Leases	20,000	20,123	(123)	100.6% (6)
**-5705-**-**-**	Monthly Car Allowance	25,200	24,254	946	96.2%
**-5791-**-**-**	CTP Access Road Insurance Cost Share	-	(8,000)	8,000	0.0% (7)
**-5799-**-**-**	Stormwater Station Costs Share-O&M	(14,000)	(14,000)	-	100.0% (8)
**-6500-**-**-**	IT Allocations in to PC's & Depts.	725,880	594,493	131,387	81.9%
	Total Other Expenses	12,626,041	10,128,155	2,497,886	80.2%
	<b>Total O&amp;M Expenses</b>	<b>21,613,791</b>	<b>16,870,918</b>	<b>4,742,873</b>	<b>78.1%</b>

This report intends to monitor the Annual Budget % Expended at the Project Committee and Functional Department levels.

The financial information contained in this report, in some cases, is based on the full accrual basis of accounting, whereby expenses are recognized in the period in which the liability is incurred, i.e., payroll and fringe benefits.

There are instances where we will include the total expense for the entire accounting fiscal year if the information is available, i.e., property and liability insurance premiums.

The audited financial statements for the fiscal year recognize all expenses on the full accrual basis of accounting.

- (1) O&M completed several nighttime repairs before the winter season started.
- (2) SDG&E electricity rates increased beyond what was budgeted.
- (3) Increased bleach AWT at CTP usage compared to last fiscal year and continued septicity issues at JBL.
- (4) SOCWA is working with Cintas to resolve several billing errors and contract closeout charges for RTP.
- (5) Unanticipated Aptean Tabware upgrades were required this year.
- (6) Annual increases in lease costs were unknown during the preparation of the budget.
- (7) Shared insurance cost with the County of Orange for joint use of the CTP access road.
- (8) Shared cost for treatment of South Cove stormwater and urban runoff at JBL.

**South Orange County Wastewater Authority**  
**Preliminary O&M Budget vs. Actual Comparison by PC**  
For the Period Ended June 30, 2025

- (1) O&M completed several nighttime repairs before the upcoming winter season.
- (2) SDG&E electricity rates increased beyond what was budgeted.
- (3) Usage continues to be elevated due to the septicity of the sewage entering plants that started last year as discussed with the Engineering Committee in 2023.
- (4) SOCWA is working with Cintas to resolve several billing errors and contract closeout charges for RTP.
- (5) Annual charges incurred at the beginning of the fiscal year and the end of the calendar year.
- (6) Unanticipated Aptean Tabware upgrades were required this year.
- (7) Annual increases in lease costs were unknown during the preparation of the budget.
- (8) Shared cost for treatment of South Cove stormwater and urban runoff at JBL.
- (9) Increased bleach AWT usage compared to last fiscal year.
- (10) Shared insurance cost with the County of Orange for joint use of the CTP access road.

**Exhibit B-2**

**South Orange County Wastewater Authority**  
**Preliminary Budget vs. Actual Comparison - Engineering**  
For the Period Ended June 30, 2025  
(in dollars)

		<b>FY 2024-25 Budget</b>	<b>Actual</b>	<b>(Over)/Under Budget</b>	<b>% Expended</b>
Salary and Fringe					
01-5000-03-00-00	Regular Salaries-O&M	115,868	52,199	63,669	45.1%
01-5401-03-00-00	Fringe Benefits IN to PC's & Depts.	62,368	26,245	36,123	42.1%
	Total Payroll Costs	<u>178,237</u>	<u>78,444</u>	<u>99,792</u>	<u>44.0%</u>
Other Expenses					
01-5022-03-00-00	Miscellaneous Expense	1,000	477	523	47.7%
01-5023-03-00-00	Office Supplies	100	-	100	0.0%
01-5031-03-00-00	Safety Supplies	100	-	100	0.0%
01-5034-03-00-00	Travel Expense/Tech. Conferences	2,500	2,124	376	85.0%
01-5035-03-00-00	Training Expense	1,300	472	828	36.3%
01-5037-03-00-00	Office Equipment	153	-	153	0.0%
01-5039-03-00-00	Membership Dues/Fees	1,150	1,128	22	98.1%
01-5061-03-00-00	Mileage	150	41	109	27.2%
01-5309-03-00-00	Operating Leases	20,000	35,550	<b>(15,550)</b>	177.8%
01-5802-03-00-00	Shipping/Freight	102	-	102	0.0%
01-6500-03-00-00	IT Allocations in to PC's & Depts.	22,499	18,427	4,072	81.9%
	Total Other Expenses	<u>49,054</u>	<u>58,220</u>	<u>(9,166)</u>	<u>118.7%</u>
	<b>Total Engineering Expenses</b>	<b>227,291</b>	<b>136,664</b>	<b>90,627</b>	<b>60.1%</b>

**Exhibit B-3**

**South Orange County Wastewater Authority**  
**Preliminary Budget vs. Actual Comparison- Administration**  
For the Period Ended June 30, 2025  
(in dollars)

		<b>FY 2024-25 Budget</b>	<b>Actual</b>	<b>(Over)/Under Budget</b>	<b>% Expended</b>
01-6000-04-00-00	Regular Salaries-Admin or IT	1,116,326	916,435	199,891	82.1%
01-6001-04-00-00	Overtime Salaries-Admin or IT	7,500	795	6,705	10.6%
01-6315-04-00-00	Comp Time - Admin	2,000	-	2,000	0.0%
01-6318-04-00-00	Severance Costs	-	170,673	(170,673)	100.0% (1)
01-6401-04-00-00	Fringe Benefits IN to ADMIN or IT	600,881	460,783	140,098	76.7%
	<b>Total Payroll Costs</b>	<b>1,726,707</b>	<b>1,548,686</b>	<b>178,021</b>	<b>89.7%</b>
<b>Other Expenses</b>					
01-6101-04-00-00	HR Recruitment & Employee Relations	32,100	14,264	17,836	44.4%
01-6102-04-00-00	Subscriptions	2,030	10,048	(8,018)	495.0%
01-6103-04-00-00	Contract Labor	35,000	36,173	(1,173)	103.4%
01-6200-04-00-00	Management Support Services	55,000	93,301	(38,301)	169.6%
01-6201-04-00-00	Audit	40,800	30,220	10,580	74.1%
01-6202-04-00-00	Legal	125,000	267,835	(142,835)	214.3%
01-6204-04-00-00	Postage	1,545	712	833	46.1%
01-6223-04-00-00	Office Supplies - Admin	4,120	962	3,158	23.3%
01-6224-04-00-00	Office Equipment Admin or IT	1,000	8,611	(7,611)	861.1%
01-6234-04-00-00	Memberships & Trainings	107,500	101,015	6,485	94.0%
01-6239-04-00-00	Travel & Conference	25,000	29,562	(4,562)	118.2%
01-6240-04-00-00	Scholarship Sponsorship	1,000	1,000	0	100.0%
01-6241-04-00-00	Education Reimbursement	1,500	560	940	37.3%
01-6310-04-00-00	Miscellaneous	27,000	51,730	(24,730)	191.6%
01-6311-04-00-00	Mileage	800	526	274	65.8%
01-6317-04-00-00	Contract Services Misc	5,800	5,400	400	93.1%
01-6500-04-00-00	IT Allocations in to PC's & Depts.	142,005	116,302	25,703	81.9%
01-6601-04-00-00	Shipping/Freight	2,000	3,304	(1,304)	165.2%
01-6705-04-00-00	Monthly Car Allowance	10,200	13,546	(3,346)	132.8%
	<b>Total Other Expenses</b>	<b>619,400</b>	<b>785,070</b>	<b>(165,670)</b>	<b>126.7%</b>
	<b>Total Admin Expenses</b>	<b>2,346,107</b>	<b>2,333,756</b>	<b>12,351</b>	<b>99.5%</b>

(1) Costs for paid leave and final pay for 3 eliminated positions.

**South Orange County Wastewater Authority**  
**FY 2024-25 Actual General Fund Expenses**  
**(Taken From Administration Expenses)**

		<b>Finance Committee Recommended General Fund %'s</b>	<b>FY 2024-25 Budget</b>	<b>FY 2024-25 Actual</b>	<b>(Over)/Under Budget</b>	<b>% Expended</b>
Salary and Fringe						
01-6000-04-00-00	Regular Salaries-Admin & IT	Footnote #1	\$237,661	\$195,236	\$42,425	82.1%
01-6001-04-00-00	Overtime Salaries-Admin & IT	50%	3,750	0	3,750	0.0%
01-6315-04-00-00	Comp Time - Admin	50%	1,000	0	1,000	0.0%
01-6401-04-00-00	Fringe Benefits IN to PC's & Depts.		127,925	98,165	29,760	76.7%
	Total Payroll Costs		\$370,336	\$293,401	\$76,935	79.2%
Other Expenses						
01-6018-04-00-00	Public Notices/ Public Relations	100%			\$0	
01-6103-04-00-00	Contract Labor	25%	8,750	9,043	(293)	103.4%
01-6201-04-00-00	Audit	100%	40,800	30,220	10,580	74.1%
01-6202-04-00-00	Legal	40%	67,000	107,134	(40,134)	159.9%
01-6203-04-00-00	Outside Services	100%				
01-6204-04-00-00	Postage	20%	309	142	167	46.1%
01-6223-04-00-00	Office Supplies - Admin	100%	1,030	962	68	93.4%
01-6234-04-00-00	Memberships & Trainings	All Large except WEROC	85,190	101,015		
01-6500-04-00-00	IT Allocations in to PC's & Depts.	5%	7,100	5,815	1,285	81.9%
01-6705-04-00-00	Monthly Car Allowance	GM 50%, Controller 25%	4,050			
	Total Other Expenses		\$214,229	\$254,332	(\$28,328)	118.7%
	<b>Total General Fund Expenses</b>		<b>\$584,565</b>	<b>\$547,733</b>	<b>\$48,607</b>	<b>93.7%</b>

<b>Time Allocation</b>		
(1)	Executive Assistant	50%
	GM	50%
	Controller	5%

**Exhibit B-4**

**South Orange County Wastewater Authority**  
**Preliminary Budget vs. Actual Comparison-IT**  
For the Period Ended June 30, 2025  
(in dollars)

		<b>FY 2024-25 Budget</b>	<b>Actual</b>	<b>(Over)/Under Budget</b>	<b>% Expended</b>
<b>Salary &amp; Fringe</b>					
01-6000-05-00-00	Regular Salaries-Admin or IT	132,980	136,899	(3,920)	102.9%
01-6401-05-00-00	Fringe Benefits IN to ADMIN or IT	71,578	68,833	2,745	96.2%
	<b>Total Salary &amp; Fringe</b>	<b>204,558</b>	<b>205,733</b>	<b>(1,175)</b>	<b>100.6%</b>
<b>Other Expenses</b>					
01-6028-05-00-00	Small Tools & Supplies	1,000	-	1,000	0.0%
01-6035-05-00-00	Training Expense	3,000	-	3,000	0.0%
01-6101-05-00-00	Recruitment & Employee Relations, IT DEPT	600	-	600	0.0%
01-6234-05-00-00	Memberships & Trainings	5,950	1,339	4,611	22.5%
01-6239-05-00-00	Travel & Conference	1,500	-	1,500	0.0%
01-6300-05-00-00	Software Maintenance Agreements	63,180	17,000	46,180	26.9%
01-6301-05-00-00	Hardware Maintenance Agreements	10,300	11,945	(1,645)	116.0%
01-6302-05-00-00	Cloud Subscriptions (Internet)	195,018	150,703	44,314	77.3%
01-6303-05-00-00	Telecommunications	163,882	155,903	7,979	95.1%
01-6305-05-00-00	IT Professional Services	106,200	79,158	27,042	74.5%
01-6306-05-00-00	Small Hardware Purchases (< \$5k)	28,400	15,317	13,083	53.9%
01-6307-05-00-00	Small Software Purchases & Licenses (<\$5k)	31,000	36,605	(5,605)	118.1%
01-6308-05-00-00	IT Memberships	160	-	160	0.0%
01-6309-05-00-00	Operating Leases	64,173	62,723	1,450	97.7%
01-6310-05-00-00	Miscellaneous	5,000	386	4,614	7.7%
01-6312-05-00-00	Computer & Photocopy Supplies	3,264	559	2,705	0.0%
	<b>Total Other Expenses</b>	<b>682,627</b>	<b>531,639</b>	<b>150,987</b>	<b>77.9%</b>
	<b>Total Expenses before Allocation</b>	<b>887,185</b>	<b>737,372</b>	<b>149,813</b>	<b>83.1%</b>

(1) Annual charges incurred at the beginning of the Fiscal Year.

**SOUTH ORANGE COUNTY WASTEWATER AUTHORITY**  
**PC 02 - JB Latham Plant**  
**July 1, 2024 to June 30, 2025**

<b>PC2 - JB Latham Plant</b>				
<b>Liquids Summary (mgd)</b>				
Agency	2024-2025 Budgeted Flow (mgd)	2024-2025 Budgeted Percent	2024-2025 Total Billing Flow (mgd)	Total Percent To Date
San Juan Trunkline (1)				
MNWD (2)	1.4	19.07%	1.4	16.50%
SCWD	1.74	23.71%	1.58	18.62%
Oso-Trabuco Trunkline/SMWD (1),(2),(3)	4.2	57.22%	5.51	64.88%
	7.34	100.00%	8.49	100.00%

<b>Solids Summary Loading (mgd)</b>				
Agency	2024-2025 Budgeted Flow	2024-2025 Budgeted Percent	Total Avg. Loadings Billing Loading	Total Percent To Date
San Juan Trunkline (1)				
MNWD (2)	5134.17	19.29%	4103	17.71%
SCWD	6279.59	23.59%	5980	25.80%
Oso-Trabuco Trunkline/SMWD (1),(2),(3)	15206.71	57.12%	13091	56.49%
	26620.47	100.00%	23174	100.00%

SMWD's total flows and solids loading and included for clarity in total flows and solids contribution due to sharing of the Oso-Trabuco line by SMWD and MNWD.

(2) Please refer to the MNWD & SMWD Agreement from 2018 for flow/solids splitting in the Oso-Trabuco line.

(3) SMWD includes flow from San Juan Creek trunkline flow plus Oso Trabuco flow split minus the 1.4mgd flow constant from MNWD.

**SOUTH ORANGE COUNTY WASTEWATER AUTHORITY**  
**PC 12 - REGIONAL WASTE DISCHARGE PERMITS**  
**July 1, 2024 to June 30, 2025**

<b>PC 12 Recycled Water</b>		
<b>Master Recycled Water Permit</b>		
<b>2024-2025</b>		
<b>Member Agency</b>	<b>Region 9 Recycled Production</b> <b>FY 2024-2025</b> <b>acft</b>	<b>% RW Produced</b> <b>FY 2024-2025</b> <b>%</b>
CSJC	868	6.45%
MNWD	5650	42.03%
SCWD	745	5.54%
SMWD	5724	42.58%
TCWD	458	3.41%
<b>Total</b>	<b>13445</b>	<b>100%</b>

**SOUTH ORANGE COUNTY WASTEWATER AUTHORITY**  
**PC 15 - COASTAL TREATMENT PLANT FLOW SUMMARY**  
**July 1, 2024 to June 30, 2025**

<b>PC 15 Actual Flows</b>		
<b>FY 2024-2025</b>		
<b>Coastal Treatment Plant</b>		
Member Agency	Plant Flows MGD	Plant Flow Percent
CLB	1.65	58.70%
EBSD	0.07	2.48%
SCWD	1.09	38.82%
MNWD	0	0.00%
<b>Total</b>	<b>2.82</b>	<b>100.00%</b>

**SOUTH ORANGE COUNTY WASTEWATER AUTHORITY**  
**PC 17 - REGIONAL TREATMENT PLANT FLOW SUMMARY**  
**July 1, 2024 to June 30, 2025**

<b>PC 17 Liquids</b> <b>Regional Treatment Plant</b> <b>FY 2024-2025</b>				
<b>Member Agency</b>	<b>Plant Flow (MGD)</b>	<b>Centrate Flow (MGD)</b>	<b>Total Flow (MGD)</b>	<b>Liquid Flow (%)</b>
CLB	0	0.012	0.012	0.17%
EBSD	0	0.001	0.001	0.01%
SCWD	0	0.01	0.010	0.14%
ETWD	0	0.012	0.012	0.17%
MNWD	7.05	0.058	7.110	99.52%
<b>Total</b>	<b>7.05</b>	<b>0.09</b>	<b>7.14</b>	<b>100%</b>

<b>PC 17 Solids</b> <b>Regional Treatment Plant</b> <b>FY 2024-2025</b>		
<b>Agency</b>	<b>#/Day</b>	<b>%</b>
CLB	5497.86	15.14%
ETWD	5032.43	13.85%
EBSD	232.45	0.64%
MNWD	21657.76	59.62%
SCWD	3903.97	10.75%
<b>Total</b>	<b>36324.47</b>	<b>100%</b>

**South Orange County Wastewater Authority**  
**PC 2 - JB Latham Wastewater Distribution by Member Agency**  
**Budget vs Actual**

	(Over)/Under Budget (in dollars)														
	Liquids			Solids			Common - Liquids			Common - Solids			Total		
	FY 24-25 Budget	FY 24-25 Actual	Variance	FY 24-25 Budget	FY 24-25 Actual	Variance	FY 24-25 Budget	FY 24-25 Actual	Variance	FY 24-25 Budget	FY 24-25 Actual	Variance	FY 24-25 Budget	FY 24-25 Actual	Variance
<b>Member Agency Budget by Wastewater Code</b>															
Moulton Niguel Water District	551,330	453,342	97,989	687,773	628,375	59,398	159,476	177,060	(17,584)	149,388	165,859	(16,471)	1,547,966	1,424,635	123,331
Santa Margarita Water District	1,652,368	1,782,595	(130,226)	2,037,088	1,860,693	176,395	332,218	368,849	(36,631)	403,388	447,866	(44,478)	4,425,061	4,460,002	(34,940)
South Coast Water District	686,449	511,589	174,859	841,212	768,448	72,765	199,275	221,248	(21,972)	138,194	153,431	(15,237)	1,865,130	1,654,716	210,414
<b>Total</b>	<b>2,890,147</b>	<b>2,747,526</b>	<b>142,622</b>	<b>3,566,073</b>	<b>3,257,515</b>	<b>308,558</b>	<b>690,969</b>	<b>767,156</b>	<b>(76,187)</b>	<b>690,969</b>	<b>767,156</b>	<b>(76,187)</b>	<b>7,838,158</b>	<b>7,539,353</b>	<b>298,805</b>
<b>Net Budget Variance</b>			<b>4.9%</b>			<b>8.7%</b>			<b>-11.0%</b>			<b>-11.0%</b>			<b>3.8%</b>

	(Over)/Under Budget (in dollars)														
	Liquids			Solids			Common - Liquids			Common - Solids			Total		
	FY 24-25 Budget	FY 24-25 Actual	Variance	FY 24-25 Budget	FY 24-25 Actual	Variance	FY 24-25 Budget	FY 24-25 Actual	Variance	FY 24-25 Budget	FY 24-25 Actual	Variance	FY 24-25 Budget	FY 24-25 Actual	Variance
<b>Member Agency Wastewater Code Allocation %'s</b>															
Moulton Niguel Water District	19.08%	16.5%	2.6%	19.3%	19.29%	0.0%	23.08%	23.08%	0.0%	21.62%	21.62%	0.0%	19.75%	18.9%	0.9%
Santa Margarita Water District	57.17%	64.9%	-7.7%	57.1%	57.12%	0.0%	48.08%	48.08%	0.0%	58.38%	58.38%	0.0%	56.46%	59.2%	-2.7%
South Coast Water District	23.75%	18.6%	5.1%	23.6%	23.59%	0.0%	28.84%	28.84%	0.0%	20.00%	20.00%	0.0%	23.80%	21.9%	1.8%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>

**South Orange County Wastewater Authority**  
**PC 5 - San Juan Creek Ocean Outfall**  
**Wastewater Distribution by Member Agency**  
**Budget vs Actual**

**Member Agency Budget by Wastewater Code**

City of San Clemente  
Moulton Niguel Water District  
Santa Margarita Water District  
South Coast Water District

**Total**

**Net Budget Variance**

(Over)/Under Budget (in dollars)					
Fixed			Total		
FY 24-25 Budget	FY 24-25 Actual	Variance	FY 24-25 Budget	FY 24-25 Actual	Variance
115,310	106,035	9,275	115,310	106,035	9,275
107,609	98,953	8,655	107,609	98,953	8,655
384,366	353,450	30,916	384,366	353,450	30,916
86,517	79,558	6,959	86,517	79,558	6,959
<b>693,802</b>	<b>637,996</b>	<b>55,806</b>	<b>693,802</b>	<b>637,996</b>	<b>55,806</b>
8.0%					

**Member Agency Wastewater Code Allocation %'s**

City of San Clemente  
Moulton Niguel Water District  
Santa Margarita Water District  
South Coast Water District

**Total**

Fixed			Total		
FY 24-25 Budget	FY 24-25 Actual	Variance	FY 24-25 Budget	FY 24-25 Actual	Variance
16.6%	16.6%	0.0%	16.6%	16.6%	0.0%
15.5%	15.5%	0.0%	15.5%	15.5%	0.0%
55.4%	55.4%	0.0%	55.4%	55.4%	0.0%
12.5%	12.5%	0.0%	12.5%	12.5%	0.0%
<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>

**South Orange County Wastewater Authority**  
**PC 8 - Pretreatment Program**  
**Wastewater Distribution by Member Agency**  
**Budget vs Actual**

	(Over)/Under Budget (in dollars)								
	Insurance			Labor			Total		
	FY 24-25 Budget	FY 24-25 Actual	Variance	FY 24-25 Budget	FY 24-25 Actual	Variance	FY 24-25 Budget	FY 24-25 Actual	Variance
<b>Member Agency Budget by Wastewater Code</b>									
City of Laguna Beach	949	881	68	18,194	2,951	15,244	19,143	3,832	15,311
City of San Clemente	949	881	68	59,428	14,373	45,055	60,377	15,254	45,123
El Toro Water District	949	881	68	4,629	1,428	3,201	5,578	2,309	3,269
Emerald Bay Service District	949	881	68	3,768	1,113	2,655	4,717	1,994	2,723
IRWD ( c.o. El Toro W.D.)	949	881	68	41,018	10,182	30,836	41,967	11,063	30,904
Moulton Niguel Water District	949	881	68	67,503	15,662	51,841	68,452	16,543	51,909
Santa Margarita Water District	1898	1763	135	94,526	26,158	68,367	96,424	27,921	68,503
South Coast Water District	949	881	68	46,724	14,311	32,413	47,673	15,192	32,481
<b>Total</b>	<b>8540</b>	<b>7931</b>	<b>609</b>	<b>335,791</b>	<b>86,178</b>	<b>249,613</b>	<b>344,331</b>	<b>94,109</b>	<b>250,222</b>
<b>Net Budget Variance</b>				<b>7.1%</b>			<b>74.3%</b>		<b>72.7%</b>

	(Over)/Under Budget (in dollars)								
	Insurance			Labor			Total		
	FY 24-25 Budget	FY 24-25 Actual	Variance	FY 24-25 Budget	FY 24-25 Actual	Variance	FY 24-25 Budget	FY 24-25 Actual	Variance
<b>Member Agency Wastewater Code Allocation %'s</b>									
City of Laguna Beach	11.1%	11.1%	0.0%	5.4%	3.4%	2.0%	5.6%	4.1%	1.5%
City of San Clemente	11.1%	11.1%	0.0%	17.7%	16.7%	1.0%	17.5%	16.2%	1.3%
El Toro Water District	11.1%	11.1%	0.0%	1.4%	1.7%	-0.3%	1.6%	2.5%	-0.8%
Emerald Bay Service District	11.1%	11.1%	0.0%	1.1%	1.3%	-0.2%	1.4%	2.1%	-0.7%
IRWD ( c.o. El Toro W.D.)	11.1%	11.1%	0.0%	12.2%	11.8%	0.4%	12.2%	11.8%	0.4%
Moulton Niguel Water District	11.1%	11.1%	0.0%	20.1%	18.2%	1.9%	19.9%	17.6%	2.3%
Santa Margarita Water District	22.2%	22.2%	0.0%	28.2%	30.4%	-2.2%	28.0%	29.7%	-1.7%
South Coast Water District	11.1%	11.1%	0.0%	13.9%	16.6%	-2.7%	13.8%	16.1%	-2.3%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>

**South Orange County Wastewater Authority**  
**PC 12 (2SO) Water Reclamation Permits - Recycled Water**  
**Wastewater Distribution by Member Agency**  
**Budget vs Actual**

**Member Agency Budget by Wastewater Code**

Moulton Niguel Water District

Santa Margarita Water District

South Coast Water District

**Total**

Net Budget Variance

(Over)/Under Budget (in dollars)									
Region 9			Equally			Total			
FY 24-25 Budget	FY 24-25 Actual	Variance	FY 24-25 Budget	FY 24-25 Actual	Variance	FY 24-25 Budget	FY 24-25 Actual	Variance	
56,005	21,374	34,631	34,368	12,283	22,085	90,373	33,657	56,716	
74,596	24,938	49,658	68,736	24,565	44,171	143,332	49,503	93,829	
6,872	2,818	4,053	34,368	12,283	22,085	41,240	15,101	26,139	
<b>137,473</b>	<b>49,131</b>	<b>88,342</b>	<b>137,473</b>	<b>49,131</b>	<b>88,342</b>	<b>274,945</b>	<b>98,262</b>	<b>176,684</b>	
		64.3%			64.3%			64.3%	

**Member Agency Wastewater Code Allocation %'s**

Moulton Niguel Water District

Santa Margarita Water District

South Coast Water District

**Total**

Region 9			Equally			Total		
FY 24-25 Budget	FY 24-25 Actual	Variance	FY 24-25 Budget	FY 24-25 Actual	Variance	FY 24-25 Budget	FY 24-25 Actual	Variance
40.7%	43.5%	-2.8%	25.0%	25.0%	0.0%	32.9%	34.3%	-1.4%
54.3%	50.8%	3.5%	50.0%	50.0%	0.0%	52.1%	50.4%	1.8%
5.0%	5.7%	-0.7%	25.0%	25.0%	0.0%	15.0%	15.4%	-0.4%
<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>

**South Orange County Wastewater Authority**  
**PC 15 - Coastal Treatment Plant**  
**Wastewater Distribution by Member Agency**  
**Budget vs Actual**

Member Agency Budget by Wastewater Code	(Over)/Under Budget (in dollars)											
	Liquids			Common Liquids			AWT			Total		
	FY 24-25 Budget	FY 24-25 Actual	Variance	FY 24-25 Budget	FY 24-25 Actual	Variance	FY 24-25 Budget	FY 24-25 Actual	Variance	FY 24-25 Budget	FY 24-25 Actual	Variance
	971,259	1,037,275	(66,015)	312,466	274,000	38,466	-	-	-	1,283,726	1,311,275	(27,549)
El Toro Water District	38,441	43,824	(5,383)	24,645	21,611	3,034	-	-	-	63,085	65,434	(2,349)
Emerald Bay Service District	-	-		241,088	211,409	29,679	-	-	-	241,088	211,409	29,679
Moulton Niguel Water District	705,665	685,980	19,685	246,033	215,745	30,288	716,814	605,172	111,642	1,668,512	1,506,897	161,615
<b>Total</b>	<b>1,715,365</b>	<b>1,767,078</b>	<b>(51,713)</b>	<b>824,232</b>	<b>722,765</b>	<b>101,468</b>	<b>716,814</b>	<b>605,172</b>	<b>111,642</b>	<b>3,256,411</b>	<b>3,095,015</b>	<b>161,397</b>
Net Budget Variance			-3.0%			12.3%			15.6%			5.0%

Member Agency Wastewater Code Allocation %'s	(Over)/Under Budget (in dollars)											
	Liquids			Common Liquids			AWT			Total		
	FY 24-25 Budget	FY 24-25 Actual	Variance	FY 24-25 Budget	FY 24-25 Actual	Variance	FY 24-25 Budget	FY 24-25 Actual	Variance	FY 24-25 Budget	FY 24-25 Actual	Variance
	56.6%	58.7%	-2.1%	37.9%	37.9%	0.0%	0.0%	0.0%	0.0%	39.4%	42.4%	-2.9%
City of Laguna Beach	2.2%	2.5%	-0.2%	3.0%	3.0%	0.0%	0.0%	0.0%	0.0%	1.9%	2.1%	-0.2%
Emerald Bay Service District	0.0%	0.0%	0.0%	29.2%	29.2%	0.0%	0.0%	0.0%	0.0%	7.4%	6.8%	0.6%
Moulton Niguel Water District	41.1%	38.8%	2.3%	29.8%	29.9%	0.0%	100.0%	100.0%	0.0%	51.2%	48.7%	2.5%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>

**South Orange County Wastewater Authority**  
**PC 17 - Regional Treatment Plant**  
**Wastewater Distribution by Member Agency**  
**Budget vs Actual**

**Member Agency Budget by Wastewater Code**

City of Laguna Beach  
 El Toro Water District  
 Emerald Bay Service District  
 Moulton Niguel Water District  
 South Coast Water District

**Total**

**Net Budget Variance**

<b>(Over)/Under Budget (in dollars)</b>																		
Liquids			Solids			AWT			Common Liquids			Common Solids			Total			
FY 24-25 Budget	FY 24-25 Actual	Variance	FY 24-25 Budget	FY 24-25 Actual	Variance	FY 24-25 Budget	FY 24-25 Actual	Variance	FY 24-25 Budget	FY 24-25 Actual	Variance	FY 24-25 Budget	FY 24-25 Actual	Variance	FY 24-25 Budget	FY 24-25 Actual	Variance	
4,748	2,461	2,288	519,114	319,773	199,342	-	-	-	-	-	-	78,216	49,112	29,103.96	602,078	371,345	230,734	
6,142	2,461	3,682	684,056	292,702	391,355	-	-	-	-	-	-	142,280	89,338	52,941.80	832,478	384,500	447,978	
202	118	84	22,476	13,520	8,957	-	-	-	-	-	-	4,113	2,582	1,530.52	26,792	16,221	10,571	
2,719,264	1,457,823	1,261,442	2,705,500	1,259,682	1,445,818	87,737	208,688	(120,951)	698,955	438,458	260,496	410,040	257,464	152,575.28	6,621,496	3,622,116	2,999,380	
3,542	2,051	1,492	387,084	227,067	160,017	-	-	-	-	-	-	62,461	39,219	23,241.52	453,087	268,337	184,750	
<b>Total</b>	<b>2,733,899</b>	<b>1,464,913</b>	<b>1,268,986</b>	<b>4,318,231</b>	<b>2,112,743</b>	<b>2,205,488</b>	<b>87,737</b>	<b>208,688</b>	<b>(120,951)</b>	<b>698,955</b>	<b>438,458</b>	<b>260,496</b>	<b>697,109</b>	<b>437,716</b>	<b>259,393.08</b>	<b>8,535,931</b>	<b>4,662,518</b>	<b>3,873,413</b>
<b>Net Budget Variance</b>			46.4%		51.1%			-137.9%				37.3%			37.2%			45.4%

**Member Agency Wastewater Code Allocation %'s**

City of Laguna Beach  
 El Toro Water District  
 Emerald Bay Service District  
 Moulton Niguel Water District  
 South Coast Water District

**Total**

Liquids			Solids			AWT			Common Liquids			Common Solids			Total			
FY 24-25 Budget	FY 24-25 Actual	Variance	FY 24-25 Budget	FY 24-25 Actual	Variance	FY 24-25 Budget	FY 24-25 Actual	Variance	FY 24-25 Budget	FY 24-25 Actual	Variance	FY 24-25 Budget	FY 24-25 Actual	Variance	FY 24-25 Budget	FY 24-25 Actual	Variance	
0.2%	0.17%	0.0%	12.0%	15.14%	-3.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	11.2%	11.2%	0.0%	7.1%	8.0%	-0.9%	
0.2%	0.17%	0.1%	15.8%	13.85%	2.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	20.4%	20.4%	0.0%	9.8%	8.2%	1.5%	
0.0%	0.01%	0.0%	0.5%	0.64%	-0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.6%	0.6%	0.0%	0.3%	0.3%	0.0%	
99.5%	99.52%	-0.1%	62.7%	59.62%	3.0%	100.0%	100.0%	0.0%	100.0%	100.0%	0.0%	58.8%	58.8%	0.0%	77.6%	77.7%	-0.1%	
0.1%	0.14%	0.0%	9.0%	10.75%	-1.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	9.0%	9.0%	0.0%	5.3%	5.8%	-0.4%	
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>												

**South Orange County Wastewater Authority**  
**PC 24 - Aliso Creek Ocean Outfall**  
**Wastewater Distribution by Member Agency**  
**Budget vs Actual**

**Member Agency Budget by Wastewater Code**

City of Laguna Beach  
 El Toro Water District  
 Emerald Bay Service District  
 IRWD ( c.o. El Toro W.D.)  
 Moulton Niguel Water District  
 South Coast Water District

**Total**

**Net Budget Variance**

(Over)/Under Budget (in dollars)					
Fixed			Total		
FY 24-25 Budget	FY 24-25 Actual	Variance	FY 24-25 Budget	FY 24-25 Actual	Variance
6,325	9,272	(2,947)	6,325	9,272	(2,947)
9,374	13,742	(4,368)	9,374	13,742	(4,368)
449	657	(209)	449	657	(209)
9,062	13,285	(4,223)	9,062	13,285	(4,223)
25,213	36,962	(11,749)	25,213	36,962	(11,749)
7,078	10,377	(3,298)	7,078	10,377	(3,298)
<b>57,500</b>	<b>84,295</b>	<b>(26,794)</b>	<b>57,500</b>	<b>84,294</b>	<b>(26,794)</b>
<b>Net Budget Variance</b>			<b>-46.6%</b>	<b>-46.6%</b>	

**Member Agency Wastewater Code Allocation %'s**

City of Laguna Beach  
 El Toro Water District  
 Emerald Bay Service District  
 IRWD ( c.o. El Toro W.D.)  
 Moulton Niguel Water District  
 South Coast Water District

**Total**

Fixed			Total		
FY 24-25 Budget	FY 24-25 Actual	Variance	FY 24-25 Budget	FY 24-25 Actual	Variance
11.0%	11.0%	0.0%	11.0%	11.0%	0.0%
16.3%	16.3%	0.0%	16.3%	16.3%	0.0%
0.8%	0.8%	0.0%	0.8%	0.8%	0.0%
15.8%	15.8%	0.0%	15.8%	15.8%	0.0%
43.8%	43.8%	0.0%	43.8%	43.8%	0.0%
12.3%	12.3%	0.0%	12.3%	12.3%	0.0%
<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>0.0%</b>

**South Orange County Wastewater Authority**  
**Small Capital Close Out Summary**  
**FY 2024-25**  
**(in dollars)**

	CLB	ETWD	EBSD	MNWD	SMWD	SCWD	Total
PC2 JB Latham				129,934	26,068	156,003	
PC 15 Coastal Treatment Plant	(19,055)		2,875	44,223	(12,080)	15,963	
PC 17 Joint Regional Wastewater Reclamation	9,423	16,166	489	48,835	7,493	82,406	
<b>Total Small Capital Cash</b>	<b>(\$9,631)</b>	<b>\$16,166</b>	<b>\$3,364</b>	<b>\$93,059</b>	<b>\$129,934</b>	<b>\$21,481</b>	<b>\$254,372</b>

**South Orange County Wastewater Authority**  
**Large Capital Close Out Summary**  
**FY 2024-25**  
(in dollars)

	CLB	EBSD	MNWD	SMWD	SCWD	Total
PC2 JB Latham			(91,425)	(42,199)	(34,432)	(168,056)
PC 15 Coastal Treatment Plant	(80,092)	(6,289)	(47,388)		(63,064)	(196,833)
Total Large Capital Cash Due To/(Due From)	<b>(\$80,092)</b>	<b>(\$6,289)</b>	<b>(\$138,813)</b>	<b>(\$42,199)</b>	<b>(\$97,495)</b>	<b>(\$364,889)</b>

**South Orange County Wastewater Authority**  
**Total Non Capital Close Out Summary**  
**FY 2024-25**  
(in dollars)

	CLB	ETWD	EBSD	SMWD	SCWD	Total
PC2 JB Latham				20,188	12,174	32,362
PC 15 Coastal Treatment Plant	(13,692)		(558)		(5,789)	(20,039)
PC 17 Joint Regional Wastewater Reclamation	2,560	4,595	135		31,711	39,001
PC 21 Effluent Transmission Main		(6,880)				(6,880)
Total Non-Capital Cash	(11,132)	(2,285)	(423)	20,188	38,097	44,444

**South Orange County Wastewater Authority**  
**Large Capital Project Close Out by Project**  
**FY 2024-25**

Project ID	Project Name	Collected	Actuals	Labor & Fringe	Due to/From	Ownership				
						City of Laguna Beach	Emerald Bay Service District	Moulton Niguel Water District	Santa Margarita Water District	South Coast Water District
32243C	SCADA System Upgrades	200,000	217,576.50	973.96	(18,550.46)			(4,145.94)	(9,873.95)	(4,530.58)
32233S	Replacement of Scum Line at Plant 1 Aeration Basin 1	150,000	286,118.55	13,386.52	(149,505.07)			(87,279.07)	(32,324.99)	(29,901.01)
35228L	Replacement of Fine Bubble Diffusers in Aeration Basin E-3	1,750,000	1,803,685.86	56,582.95	(110,268.81)	(42,319.66)	(3,292.06)	(31,336.13)		(33,320.97)
35249L	SCADA System Upgrades	200,000	202,950.00	865.32	(3,815.32)	(1,446.41)	(113.89)	(1,116.13)		(1,138.89)
35221L	Replacement of Auxiliary Blower Building Roof	100,000	177,229.20	12,981.31	(90,210.51)	(40,058.10)	(3,155.20)	(15,455.81)		(31,541.40)
35245L	Replacement of Grating on West Aeration and Secondary Deck	210,000	190,213.47	12,325.21	7,461.32	3,731.83	272.44	519.66		2,937.38
3525	Replacement of Corroded Sewer Pipe at Personnel Building	911,586	177,122.90	29,700.69	704,762.41	267,179.10	21,037.28	206,169.36		210,376.67

# Agenda Item

6

<b>Budgeted:</b> N/A
<b>Legal Counsel Review:</b> Yes
<b>Meeting Date:</b> January 20, 2026

**TO:** Finance Committee

**FROM:** Amber Boone, SOCWA General Manager

**SUBJECT:** Internal Controls Review

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## Summary

The Annual Financial Audit identified three areas for improvement with internal control efforts. Management responded to the recommendations which are discussed in more detail below.

## Discussion

The three items the auditors identified for improvement in internal controls are as follows:

1. Bank Reconciliation
  - a. Agency turn over resulted in a late review of the reconciliation which is being resolved through inclusion in a monthly reconciliation SOP for the financial manual.
2. Year End Accruals
  - a. Two utility bills spanned two fiscal years. A list of accruals is being created with an additional update to be included in the financial manual as a standard practice.
3. Labor Accruals matching with depreciation schedule
  - a. Staff has added an additional step in the capital close out procedure to add labor to the depreciation schedule.

Staff will bring forward the updated procedures as part of the Financial Manual at the next Finance Committee Meeting.

**Recommended Action:** Committee Discussion, Direction, or Action

# Agenda Item

7

Finance Committee Meeting

Meeting Date: January 20, 2026

**TO:** Finance Committee  
**FROM:** Amber Boone, General Manager  
**SUBJECT:** Financial Manual Draft Outline

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## Summary/Discussion

SOCWA is committed to robust financial policies and procedures. This report provides a proposed outline to include SOPs related to staff roles, reporting, payroll, audits, purchasing, and knowledge repositories. These additions address specific operational areas, such as SOCWA staff responsibilities, CalPERS interactions, and specialized billing processes, to enhance the manual's comprehensiveness.

## Background

Building on the initial review of industry standards (e.g., GFOA guidelines, California regulations, and other agency manuals), this update incorporates feedback on additional SOPs essential for day-to-day operations. These include procedures for payroll management, audit responses, and repositories for legal and vendor information, tailored to district-specific needs like those involving SOCWA and CalPERS.

## Proposed Outline

The manual will be divided into the sections outlined below.

### Section I: Business and Legal

Establishes the foundational business and legal framework, including compliance and ethical standards.

#### Subsections:

- SOCWA Staff Roles and Responsibilities
- Legal Opinions Repository
- Auditor Requirements for GASB and GAAP

### Section II: Budgeting

Details processes for budget preparation, adoption, monitoring, and amendments.

#### Subsections:

- Internal Budgeting Calendar
- Budget Scenarios in FE NXT
- Year-End Closeout Procedures

- Budget Amendment Process and Tracking
- Variance Schedule

### Section III: Chart of Accounts

Defines the standardized chart of accounts for consistent recording and reporting.

- Consolidated Account Codes

### Section IV: Reports and Schedules

Outlines required financial reports, schedules, and timelines.

Subsections:

- W2 Reporting
- Quarterly Billings
- Reporting Processes and Practices
- Quarterly Investment Procedure

### Section V: Cash Receipts and Management

Covers procedures for handling, recording, and safeguarding cash inflows.

Subsections:

- Accounts Receivable (AR) Recording
- Bank Cash Management

### Section VI: Cash Disbursements

Provides guidelines for authorizing, processing, and controlling cash outflows.

Subsections:

- Accounts Payable Review and Approval Processes
- Use Audit Refunds and Procedures
- W9 Processes and Closeout

### Section VII: Contracts and Procurement

Describes procurement policies, bidding processes, and contract management.

Subsections:

- Policies and Procedures for Purchasing

### Section VIII: Investment Policy

Sets forth strategies for investing district funds, including risk assessment.

## Section IX: Insurance

Details insurance requirements, coverage types, and claims management.

## Section X: Disposal of Materials

Establishes procedures for disposal or sale of surplus materials.

## Section XI: Capitalization Policy

Defines thresholds and methods for capitalizing assets.

## Section XII: Depreciation Policy

Specifies depreciation methods, useful lives, and accounting treatments.

## Section XIII: Reserve Policy

Guides the establishment, maintenance, and use of financial reserves.

## Section XIV: Payroll Management

Covers all aspects of payroll processing and compliance.

Subsections:

- CalPERS Policies and Procurement
- Role and Responsibilities of Employees
- Management of Payroll Data
- Entering Payroll
- Correcting Processes and Practices
- Responding to Audits or Questions from CalPERS
- Knowledge Base Questions from CalPERS
- SOP for Timekeeping and Payroll

## Section XV: Audit and Compliance

Details audit preparation, response, and committee guidelines.

Subsections:

- Audit Preparation and Response Schedule
- Recommended Procedures for Audit
- Audit - Due Diligence
- Audit RFP

**Recommended Action:** Committee Discussion, Direction, or Action

# Agenda Item

8

Finance Committee Meeting

Meeting Date: January 20, 2026

**TO:** Finance Committee

**FROM:** Amber Boone, General Manager

**STAFF CONTACT:** Jack Beck, Accountant

**SUBJECT:** Other Post-Employment Benefits (OPEB) Trust Account Annual Review

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## Summary/Discussion

Attached, please find the Summary of SOCWA's OPEB Plan showing performance results from inception through June 30, 2024. The Account Balance as of June 30, 2025, is \$7,750,994, up \$712,721 from the prior year balance of \$7,038,273, or +10.13%. According to GASB 75, an actuarial valuation of OPEB (Other Post-Employment Benefits) liabilities must occur at least every two years, which this report complies with.

**Recommended Action:** Staff recommends that the Finance Committee recommend that the Board of Directors receive and file the PARS report.

Attachment: PARS 115 Trust – OPEB Prefunding Program Client Review, December 2025



# SOUTH ORANGE COUNTY WASTEWATER AUTHORITY

PARS 115 Trust – OPEB Prefunding Program Client Review  
December 18, 2025

# CONTACTS

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*PFM Asset Management is a division of U.S. Bancorp Asset Management, Inc. See additional disclosures at the end of this presentation*

# PARS 115 TRUST TEAM

As of September 30, 2025

## Trust Administrator & Consultant\*



PUBLIC AGENCY  
RETIREMENT SERVICES

- Serves as record-keeper, consultant, and central point of contact
- Sub-trust accounting
- Coordinates all agency services
- Monitors plan compliance (IRS/GASB/State Government Code)
- Processes contributions/disbursements
- Hands-on, dedicated support teams

40+

Years of Experience  
(1984-2025)

2,300+

Plans under  
Administration

1,100+

Public Agency  
Clients

550+

115 Trust Clients

750k+

Plan Participants

\$10.3B+

Assets under  
Administration

\* See important information regarding PARS in the Disclaimer page at the end of the presentation.

### Trustee



- 5th largest commercial bank and one of the nation's largest trustees for Section 115 trusts
- Safeguard plan assets
- Oversight protection as plan fiduciary
- Custodian of assets

162

Years of Experience  
(1863-2025)

\$11.0T

Assets under  
Administration

### Investment Manager



- A division of U.S. Bancorp Asset Management, Inc.
- Fixed income and multi asset portfolios
- Strategic blend and passive platform options
- Customized portfolios (with minimum asset level)

40+

Years of Investment  
Experience  
(As of 6/30/2025)

\$256.3B\*

Assets under Management  
& Advisement

\*As of June 30, 2025. Total assets under management for U.S. Bancorp Asset Management, Inc. were \$404.9 billion. Please see disclosures at the end of this presentation

# PARS ADMINISTRATIVE SERVICES

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- Fielding Agency information requests
- Preparing monthly and annual Agency statements
- Provide Quarterly Investment Updates
- Coordinating annual audit of PARS Trust by independent CPA firm for purposes of GASB reporting
- Assisting Agency with ongoing compliance and qualification issues

# PARS PLANS AND PROGRAMS

115 Combo Trust

## 1 Pension Rate Stabilization Program (PRSP)

A pension prefunding trust designed specifically to address GASB 68 liabilities on its financial statements and stabilize future costs.

## 2 OPEB Trust Program

An OPEB prefunding trust designed to address OPEB liabilities and increase investment rates of return (discount rate).

## 3 Alternate Retirement System (ARS)

An alternative to Social Security for part-time employees offered to provide a valuable benefit for employees and permanent payroll savings to the Agency.

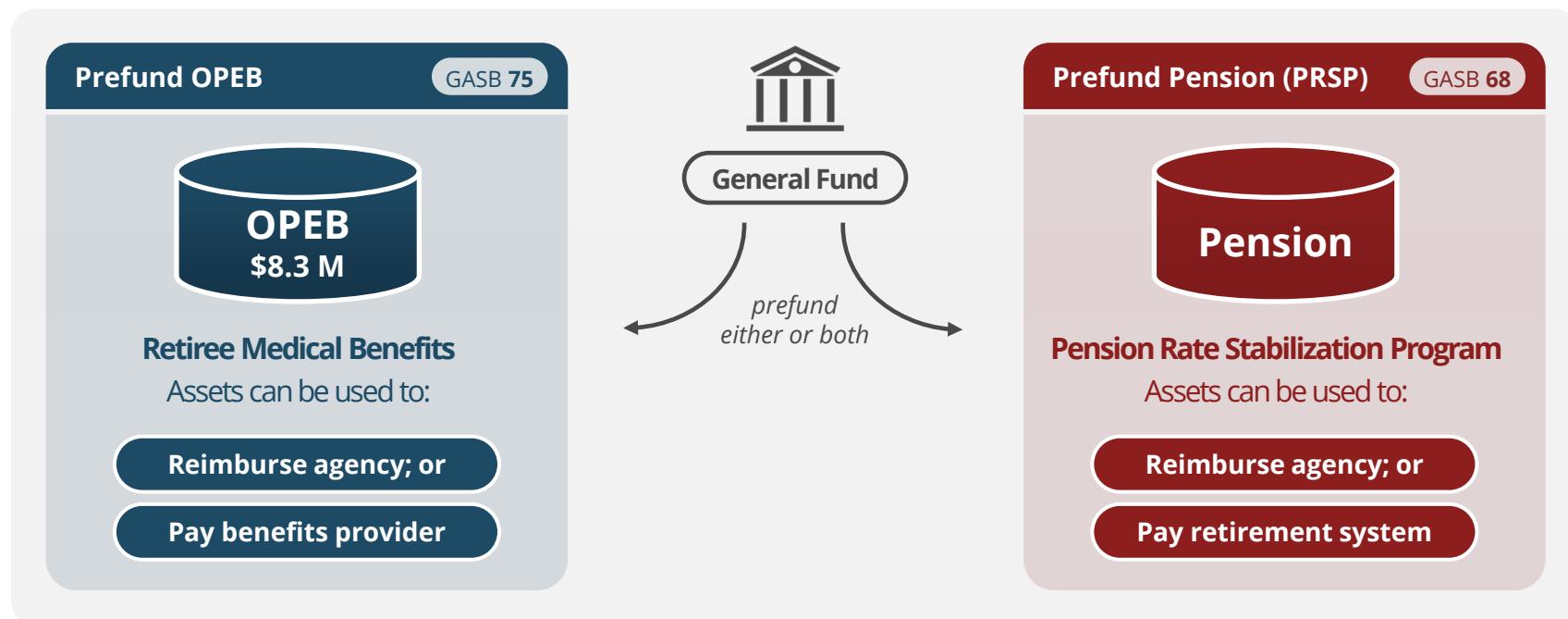
## 4 Supplemental Defined Contribution Plan

A locally designed retirement plan offered in addition to PERS or 37-Act retirement system with the goal of attracting and retaining select employees to the Agency.

## 5 Accumulated Leave Plan

A Defined Contribution solution that reduces leave balances on an annual basis during employment and minimizes total payout amounts.

# PARS IRS-APPROVED SECTION 115 TRUST



## Subaccounts

OPEB and pension assets are individually sub-accounted, and can be divided by dept., bargaining group, or cost center.



## Financial Stability

Assets in the PARS Section 115 Combination Trust can be used to address unfunded liabilities.



## Flexible Investing

Allows separate investment strategies for OPEB and pension subaccounts.



## Anytime Access

Trust funds are available anytime; OPEB for OPEB and pension for pension.



## Economies-of-Scale

OPEB and pension assets aggregate and reach lower fees on tiered schedule sooner – saving money!



## No Set Up Cost or Minimums

No set-up costs, no minimum annual contribution amounts, and no fees until assets are added.

# SECTION 115 TRUST BACKGROUND

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- Section 115 Trusts are used by local governments to fund essential governmental functions (i.e., pension benefits and retiree health care) into an irrevocable trust
- The PARS Trust received the first IRS Private Letter Ruling (PLR) in June 2015 to fund both OPEB and Pension Liabilities for a multiple-employer trust
- Any income derived from a Section 115 Trust is tax exempt
- Govt Code Section 53216.6 and 53620 govern plan investments within the Trust
- Once contributions are placed into The PARS Trust, assets from the Trust can be used for specific benefit plan purposes including:
  - Reimbursing the Authority for OPEB Pay-as-you-Go expenses
  - Pay OPEB expenses directly to retiree
  - Paying plan expenses (actuarial valuation or audit)

# SUMMARY OF AGENCY'S OPEB PLAN

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<b>Plan Type:</b>	IRC Section 115 Irrevocable Exclusive Benefit Trust
<b>Trustee Approach:</b>	Discretionary
<b>Plan Effective Date:</b>	August 6, 2009
<b>Plan Administrator:</b>	General Manager
<b>Current Investment Strategy:</b>	Balanced Strategic Blend; Pooled Account

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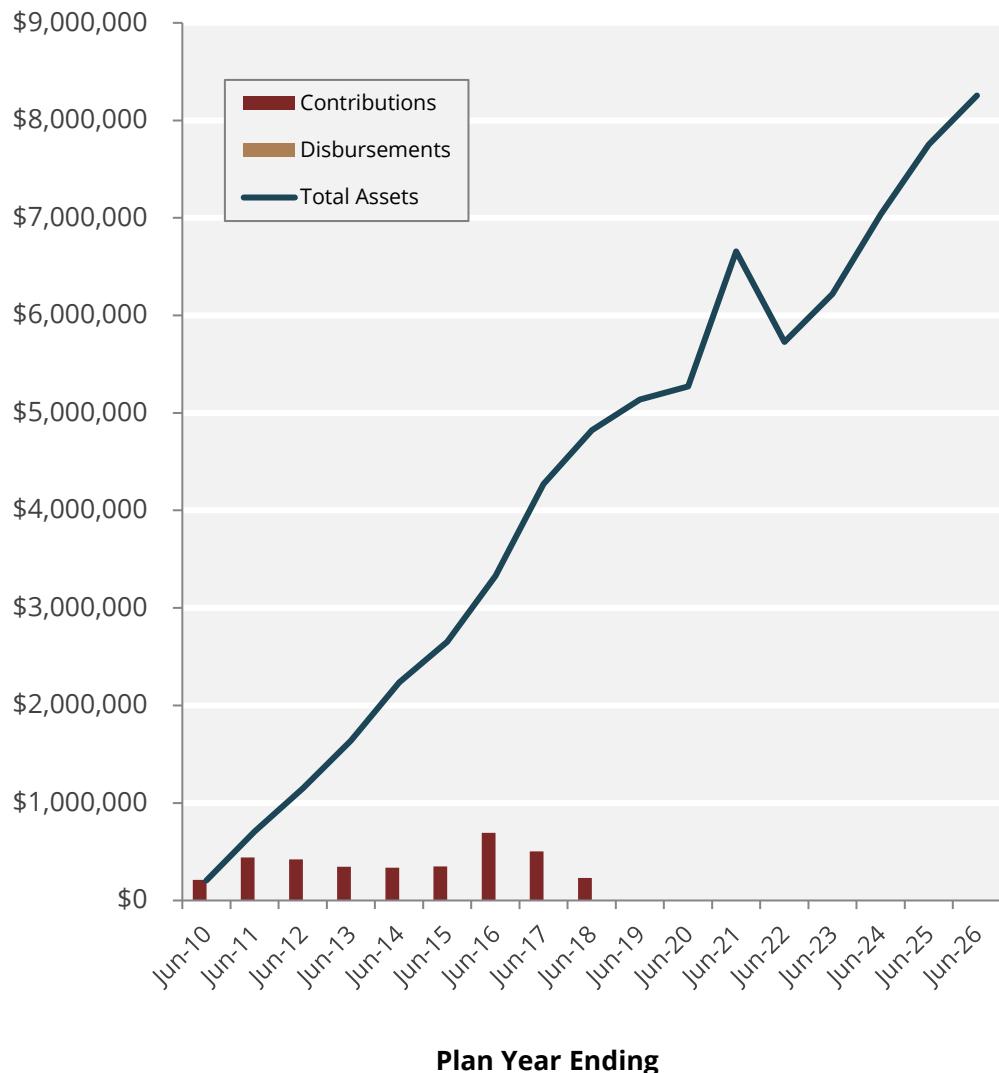
## AS OF NOVEMBER 30, 2025:

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<b>Initial Contribution:</b>	December 2009: \$211,652
<b>Additional Contributions:</b>	\$3,326,955
<b>Total Contributions:</b>	\$3,538,607
<b>Disbursements:</b>	\$0
<b>Net Investment Earnings:</b>	\$4,716,035
<b>Account Balance:</b>	\$8,254,643

# SUMMARY OF AGENCY'S OPEB PLAN

## HISTORY OF CONTRIBUTIONS, DISBURSEMENTS, AND TOTAL ASSETS AS OF NOVEMBER 30, 2025:



Year	Contributions	Disbursements	Total Assets
Jun-10*	\$211,652	\$0	\$205,233
Jun-11	\$442,146	\$0	\$706,354
Jun-12	\$420,956	\$0	\$1,150,952
Jun-13	\$345,000	\$0	\$1,638,204
Jun-14	\$335,445	\$0	\$2,235,194
Jun-15	\$350,186	\$0	\$2,652,657
Jun-16	\$694,403	\$0	\$3,330,221
Jun-17	\$504,000	\$0	\$4,269,924
Jun-18	\$231,000	\$0	\$4,823,410
Jun-19	\$0	\$0	\$5,137,817
Jun-20	\$0	\$0	\$5,270,639
Jun-21	\$0	\$0	\$6,657,222
Jun-22	\$0	\$0	\$5,727,973
Jun-23	\$0	\$0	\$6,218,496
Jun-24	\$3,818	\$0	\$7,038,273
Jun-25	\$0	\$0	\$7,750,994
Jun-26**	\$0	\$0	\$8,254,643

\*Plan Year Ending June 2010 is based on 7 months of activity  
 \*\*Plan Year Ending June 2026 is based on 5 months of activity

# OPEB ACTUARIAL RESULTS

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- We have received the GASB 74/75 Interim Actuarial Valuation by *Foster & Foster* dated December 4, 2025, with a measurement date as of June 30, 2025. In the table below, we have summarized the results.

<b>Demographic Study</b>	<b>Measurement Date:</b> <b>June 30, 2024</b> <i>From the 2024 GASB 75 Actuarial Valuation</i>	<b>Measurement Date:</b> <b>June 30, 2025</b> <i>From the 2025 GASB 75 Actuarial Valuation</i>
	57	53
Actives	57	53
Retirees	50	40
Total	107	93

# OPEB ACTUARIAL RESULTS

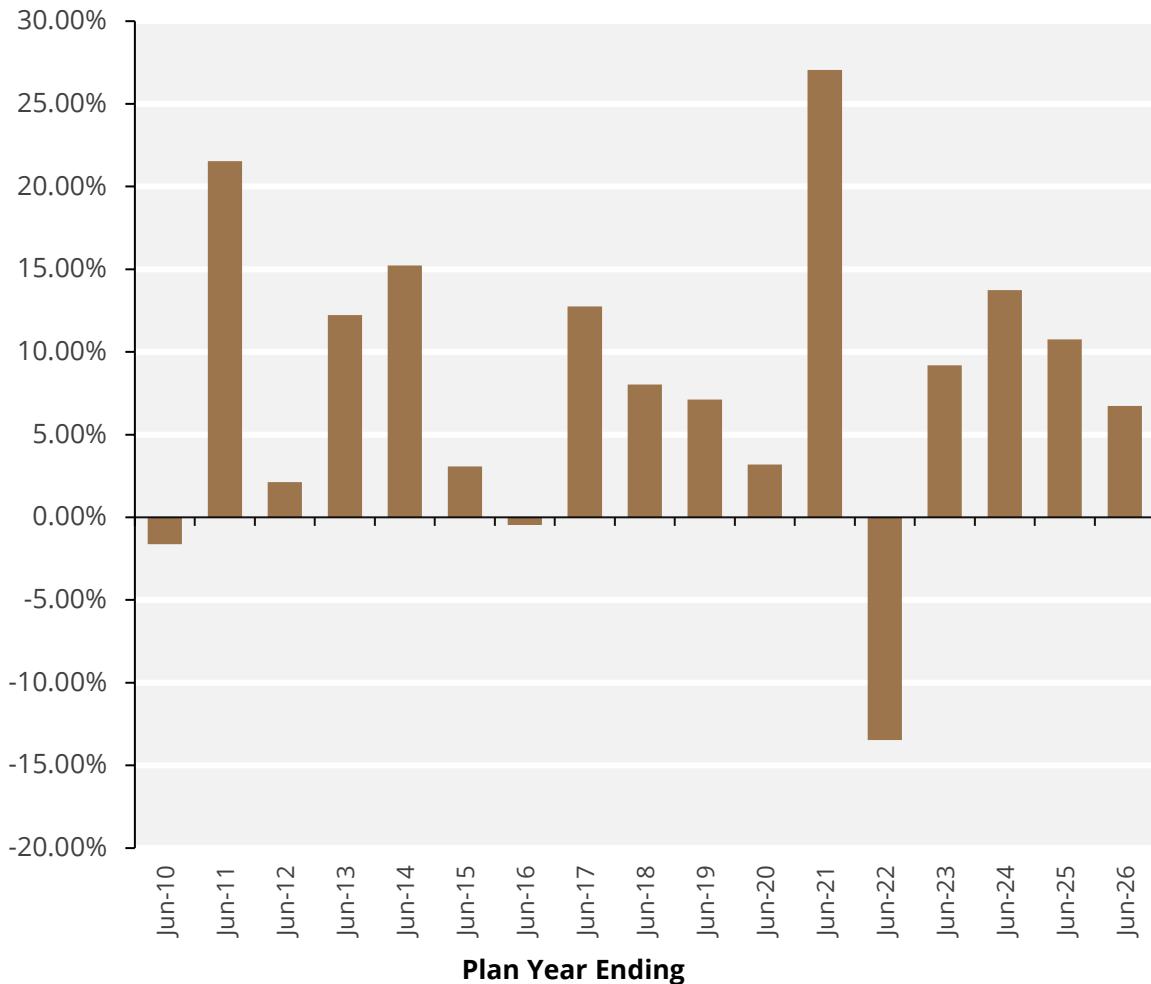
	<b>Measurement Date:</b> <b>June 30, 2024</b> <b>Discount Rate: 6.50%</b> <i>From the 2024 GASB 75 Actuarial Valuation</i>	<b>Measurement Date:</b> <b>June 30, 2025</b> <b>Discount Rate: 5.75%</b> <i>From the 2025 GASB 75 Actuarial Valuation</i>
<b>Total OPEB liability</b>	\$12,001,605	\$14,499,764
<b>Fiduciary Net Position</b>	\$7,038,273*	\$7,750,994*
<b>Net OPEB liability</b>	\$4,963,332	\$6,748,770
<b>Funded Ratio (%)</b>	58.6%	53.5%
<b>Actuarially Determined Contribution (ADC)</b>	\$681,796 <i>for FY 2023-24</i>	\$755,739 <i>for FY 2024-25</i>
<b>Annual Benefit Payments (Pay-as-you-Go)</b>	\$741,656 <i>for FY 2023-24</i>	\$795,977 <i>for FY 2024-25</i>

\*As of November 30, 2025, assets at \$8,254,643 (approx. 56.9% funded), assuming no change in TOL.

**Rule of thumb:** For every one percent increase in the discount rate, the unfunded liability is lowered by 10-12%.

# OPEB PLAN TOTAL RETURNS

AS OF NOVEMBER 30, 2025:



Year	Returns
Jun-10	-1.62%
Jun-11	21.53%
Jun-12	2.14%
Jun-13	12.23%
Jun-14	15.23%
Jun-15	3.07%
Jun-16	-0.46%
Jun-17	12.75%
Jun-18	8.03%
Jun-19	7.12%
Jun-20	3.20%
Jun-21	27.05%
Jun-22	-13.47%
Jun-23	9.18%
Jun-24	13.73%
Jun-25	10.75%
Jun-26	6.74%

Inception to Date (Annualized)

8.18%

\*Plan Year Ending June 2010 is based on 7 months of activity

\*\*Plan Year Ending June 2026 is based on 5 months of activity

Returns are net of the embedded fund fees and gross of trustee and trust administrator fees

Information as provided by US Bank, Trustee for PARS; Not FDIC Insured; No Bank Guarantee; May Lose Value. Past performance does not guarantee future results. Performance returns are impacted by agency plan activity and may not reflect the deduction of applicable fees, which could reduce returns. Information is deemed reliable but may be subject to change.

The advisor to the PARS portfolios is U.S. Bank, and PFM Asset Management serves as sub-advisor to U.S. Bank to manage these portfolios. Please see important additional disclosures to the PARS portfolios included in the individual strategy information at the end of this presentation.

# INVESTMENT REVIEW



## PARS OPEB Trust Balanced Strategic Blend

### Investment Performance Review For the Quarter Ended September 30, 2025

Client Management Team

PFM Asset Management

PFM Asset Management  
A division of U.S. Bancorp Asset Management, Inc.

1 California Street  
Suite 1000  
San Francisco, CA 94111

1735 Market Street  
43rd Floor  
Philadelphia, PA 19103

# About PFM Asset Management\*

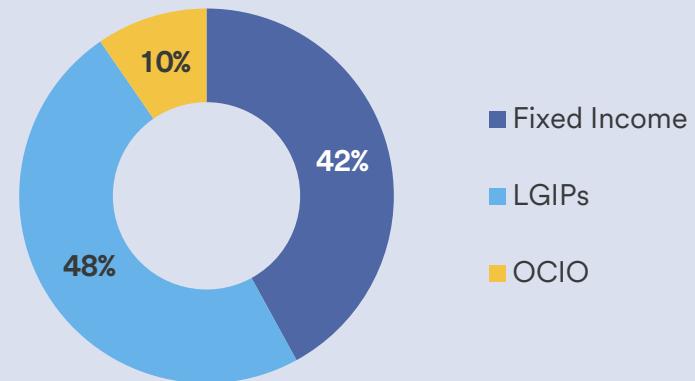
## Our Investment Solutions

- **Outsourced Chief Investment Officer (OCIO):** Multi-asset class portfolios for institutional investors
- **Fixed Income:** High-quality, short- and intermediate-term portfolios for operating funds, reserves, working capital, self-insurance funds and bond proceeds
- **Local Government Investment Pools (LGIPs):** services for programs with options ranging from fully liquid cash management to a fixed-rate, fixed-term investment
- **Specialized Solutions:** Arbitrage rebate, escrow restructuring, bond proceeds investments, structured investments

40+ years of experience in the public sector\*\*

\$177.5b in public sector assets under management\*\*

### Assets by Investment Solution<sup>1</sup>



<sup>1</sup>Illustrates public sector assets under management by investment solution as of June 30, 2025. Total may not add up to 100% due to rounding.

\*A division of U.S. Bancorp Asset Management, Inc.

\*\*As of June 30, 2025. Public sector includes government, pool, and TERM. Total assets under management for U.S. Bancorp Asset Management, Inc. were \$404.9 billion.

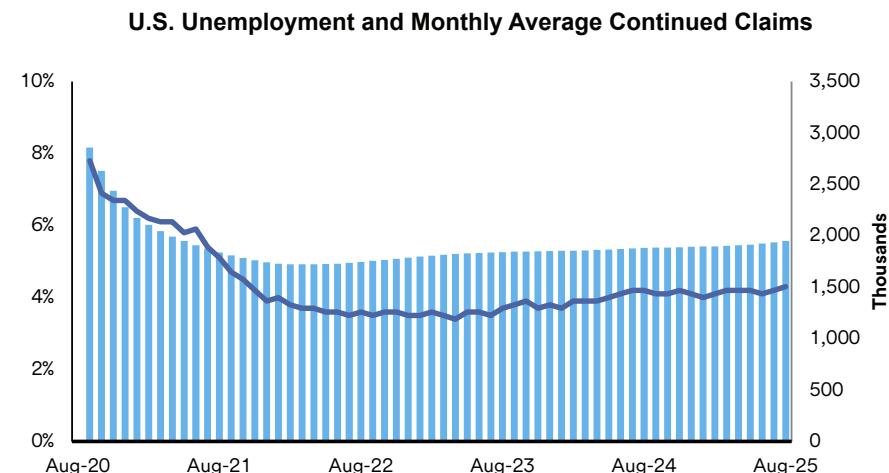
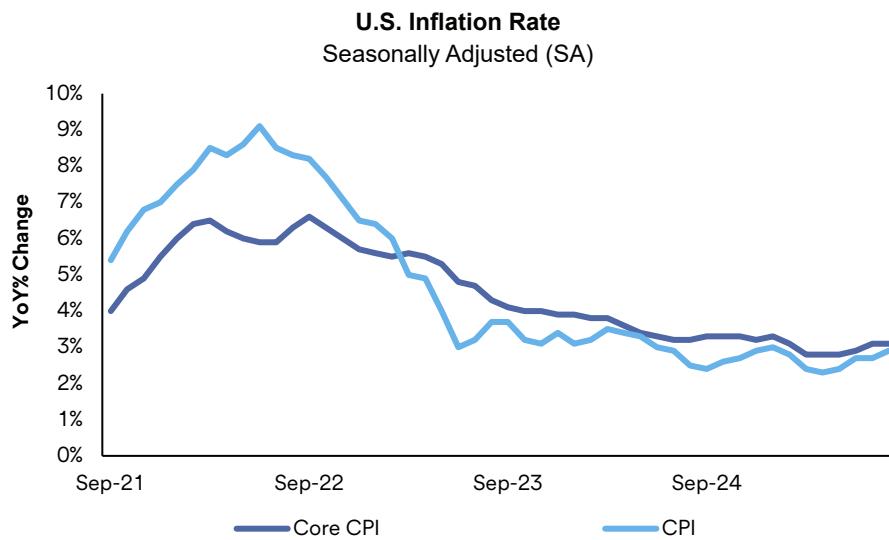
# **Financial Markets & Investment Strategy Review**

Index or Average Name	QTD	YTD	One Year	Three Year	Five Year	Seven Year	Ten Year
<b>DOMESTIC EQUITY</b>							
S&P 500 (TR)	8.12%	14.83%	17.60%	24.91%	16.46%	14.44%	15.29%
Russell 3000	8.18%	14.40%	17.41%	24.09%	15.73%	13.70%	14.70%
Russell 1000 Growth	10.51%	17.24%	25.53%	31.58%	17.56%	18.09%	18.81%
Russell 1000	7.99%	14.60%	17.75%	24.61%	15.98%	14.17%	15.02%
Russell 1000 Value	5.33%	11.65%	9.44%	16.95%	13.87%	9.52%	10.71%
Russell Midcap	5.33%	10.42%	11.11%	17.67%	12.65%	10.06%	11.38%
Russell Midcap Growth	2.78%	12.84%	22.02%	22.82%	11.25%	11.99%	13.36%
Russell Midcap Value	6.18%	9.50%	7.58%	15.50%	13.66%	8.64%	9.95%
Russell 2000 Growth	12.19%	11.65%	13.56%	16.67%	8.41%	6.61%	9.90%
Russell 2000	12.39%	10.39%	10.76%	15.20%	11.55%	6.75%	9.76%
Russell 2000 Value	12.60%	9.04%	7.88%	13.55%	14.59%	6.39%	9.22%
<b>INTERNATIONAL EQUITY</b>							
MSCI EAFE	4.77%	25.14%	14.99%	21.68%	11.15%	7.71%	8.16%
MSCI AC World	7.62%	18.44%	17.27%	23.10%	13.54%	11.27%	11.90%
MSCI AC World ex USA	6.89%	26.02%	16.45%	20.65%	10.25%	7.48%	8.22%
MSCI AC World ex USA Small Cap	6.68%	25.54%	15.93%	19.34%	9.96%	7.16%	8.36%
MSCI EM (Emerging Markets)	10.64%	27.53%	17.32%	18.19%	7.01%	6.16%	7.98%
<b>LISTED REAL ASSETS</b>							
FTSE Nareit / Equity REITs - INV	4.77%	4.51%	-1.98%	10.79%	9.32%	6.10%	6.60%
MSCI US REIT INDEX	4.49%	3.75%	-2.88%	9.50%	8.03%	4.89%	5.31%
MSCI World Core Infrastructure	1.80%	15.48%	8.21%	11.33%	7.86%	7.46%	8.26%
<b>FIXED INCOME</b>							
Bloomberg U.S. Aggregate	2.03%	6.13%	2.88%	4.92%	-0.45%	2.06%	1.84%
Bloomberg U.S. Government/Credit	1.91%	5.93%	2.67%	4.87%	-0.61%	2.22%	1.99%
Bloomberg U.S. Intermediate Government/Credit	1.51%	5.70%	4.01%	5.17%	0.81%	2.61%	2.09%
Bloomberg U.S. Treasury (1-3 Y)	1.12%	3.99%	3.89%	4.35%	1.53%	2.24%	1.67%
ICE BofA U.S. High Yield	2.40%	7.06%	7.23%	10.96%	5.53%	5.17%	6.07%
Bloomberg Global Aggregate	0.60%	7.91%	2.40%	5.44%	-1.56%	0.79%	1.14%
<b>CASH EQUIVALENT</b>							
Bloomberg 3 Month T-Bill	1.08%	3.21%	4.43%	4.85%	3.03%	2.66%	2.11%

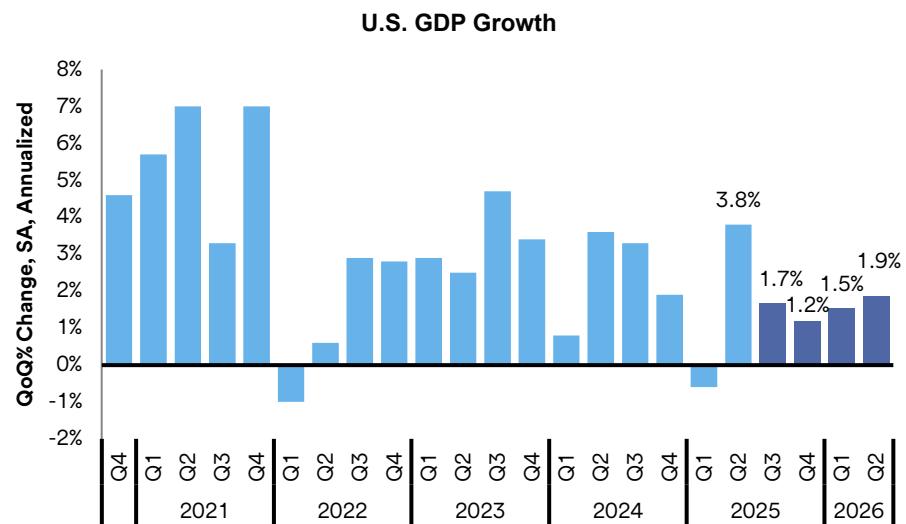
Source: Investment Metrics. Returns are expressed as percentages. Please refer to the last page of this document for important disclosures relating to this material.

## THE ECONOMY

- In the second quarter, U.S. real gross domestic product (GDP) grew at a seasonally adjusted annualized rate of 3.8%, marking the strongest growth since Q3 2023. This rebound in growth was supported by an uptick in consumer spending and business investment. While the data still points to some moderation in activity compared to last year, the slowdown may not be as severe as originally feared.
- The U.S. unemployment rate ticked up over the quarter, rising to 4.3% in August. The latest initial jobless claims ended the quarter slightly lower at 218.0k (for the week ending September 20) after an early September spike, while the outstanding claims also fell to approximately 1,926.0k signaling layoffs remain subdued despite broader signs of labor market cooling. The other side of the “low-hire, low-fire” environment can be seen in the duration of unemployment, with 25.7% of the job seekers experiencing unemployment for more than six months, the highest share since February 2022.
- Inflation accelerated in the third quarter. Headline inflation (CPI) grew at a year-over-year (YoY) rate of 2.9% in August, the highest rate since January, as prices of food and energy rose while core CPI, which excludes volatile food and energy, grew at 3.10% on an annual basis.



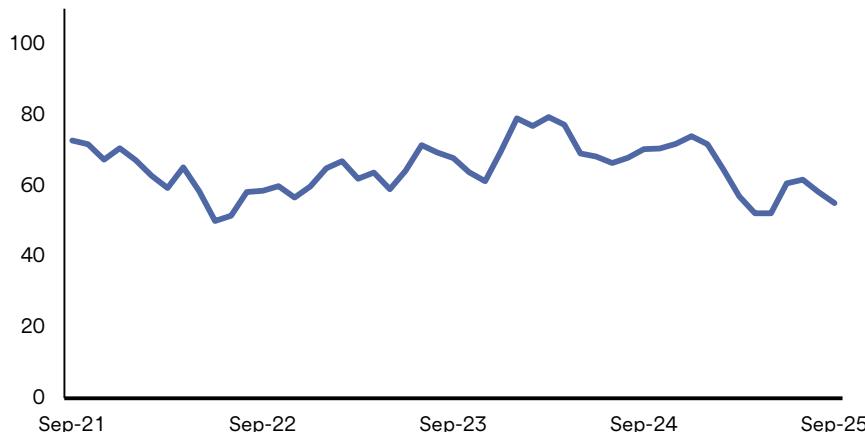
Source: Bloomberg.



## WHAT WE'RE WATCHING

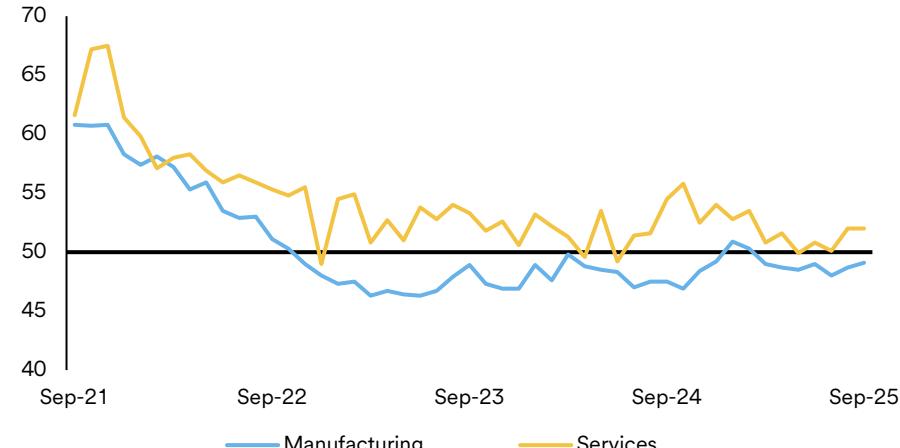
- The Federal Reserve (Fed) cut rates in the third quarter by a quarter percentage point, prompted by increasing weakness in the labor market. The Fed also signaled that two more quarter-percentage-point rate reductions are likely before the end of the year. However, with inflation above the 2% policy target, the Fed will be focused on balancing maximum employment and price stability. Outside of the U.S., the European Central Bank (ECB) which preceded the U.S. with cuts earlier in the year, held rates flat in the third quarter.
- U.S. consumer sentiment, as measured by the University of Michigan survey of consumers, fell during the third quarter as consumers continued to express concerns about the impact of high prices on personal finances. Consumer spending, which drives more than two-thirds of the economy, rose 0.6% month-over-month in August, supported by higher-income consumers benefiting from a strong wealth effect as equity markets continue to rise.
- Manufacturing in the U.S. remains challenged, with the ISM U.S. Manufacturing PMI reading coming in at 49.1 in September. This marked the seventh consecutive month of contraction as input prices remain elevated while demand is relatively weak. The threat of volatility stemming from trade and tariffs has mostly passed, though some trade agreement deadlines are set in Q4, which pose continued uncertainty for many countries and companies.

University of Michigan Consumer Sentiment



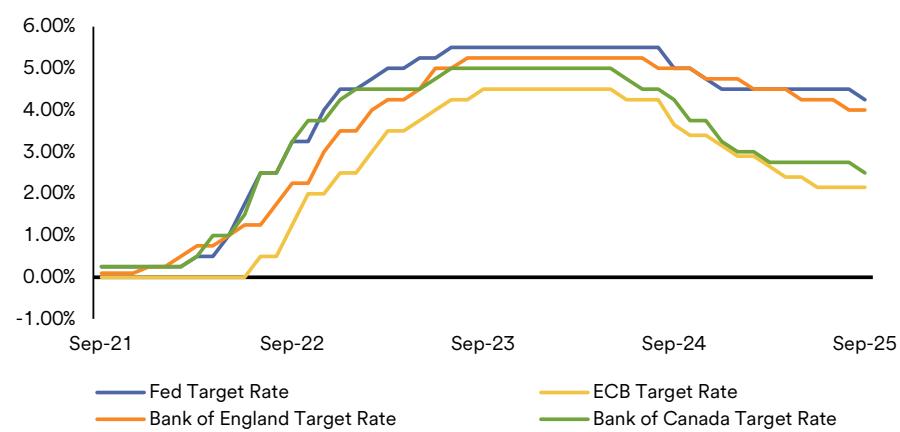
Source: Bloomberg.

U.S. ISM Manufacturing & Services PMI



Source: Bloomberg.

Global Central Bank Rates



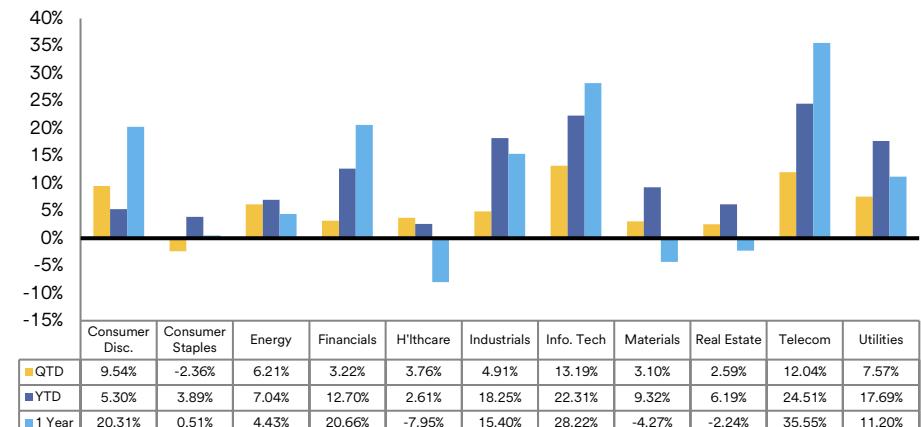
Source: Bloomberg.

## DOMESTIC EQUITY

- The S&P 500 Index (S&P) posted an 8.1% return in the third quarter (of 2025). The Index has hit 23 new all-time closing highs and the year-to-date (YTD) return stands at 14.8%.
- Within the S&P, the performance varied greatly across sectors, with 10 of the 11 seeing positive returns. The best performing sectors were Information Technology (13.2%), Communication Services (12.0%), and Consumer Discretionary (9.5%). Real Estate saw a relatively weak return (2.6%) while only Consumer Staples saw a negative return (-2.4%).
- Positive returns were seen across all capitalizations with large caps, as represented by the Russell 1000 Index, returning 8.0% during the quarter while mid and small caps, as represented by the Russell Midcap and Russell 2000 indices returned 5.3% and 12.4% respectively. Small caps outperformed large caps over the quarter, and the Russell 2000 ended the quarter at an all-time high.
- According to FactSet Earnings Insight as of September 26, 2025, analysts are projecting earnings growth of 7.9% in Q3 2025, up from a prior estimate of 7.3% at the start of the quarter. This unusual upward revision (over the past 10 years estimates fell an average of 3.2% during the quarter) was led by the Information Technology sector as companies benefiting from artificial intelligence (AI) continued to have an outsized impact on the market. For calendar year 2025, analysts are projecting YoY earnings growth of 10.9%. If the projected earnings growth in Q3 is correct and comes to fruition, this will mark the ninth consecutive quarter of earnings growth for the index.
- At quarter end, the forward 12-month adjusted positive price-to-earnings (P/E) ratio (including only positive earnings results for consistency) for the S&P 500 is 27.4, which is above the 5-year average of 23.3. The Russell 2000 Index, which represents small cap stocks, had an adjusted positive forward P/E ratio of 21.2, also above its 5-year average of 17.7.

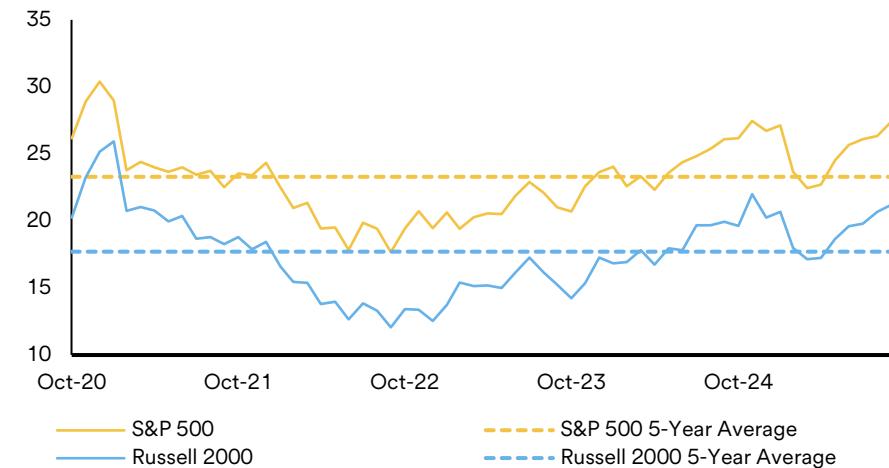
## S&P 500 Index Performance by Sector

Periods Ended September 30, 2025



Source: Bloomberg.

## P/E Ratios of Major Stock Indices\*

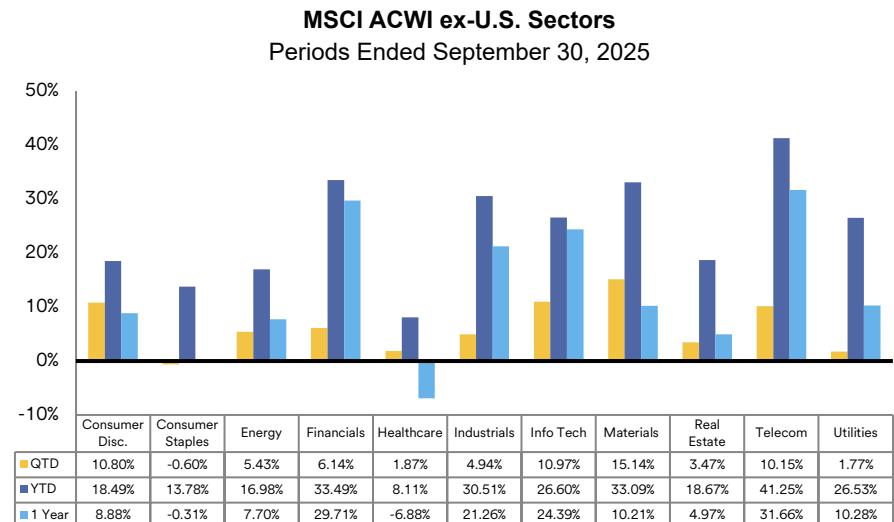


Source: Bloomberg.

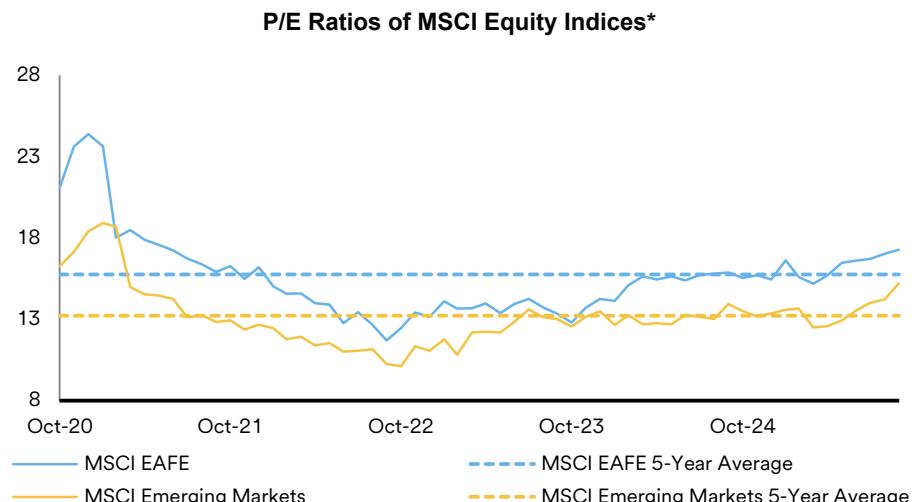
\*P/E ratios are calculated based on one-year forward estimates and adjusted to include only positive earnings results for consistency.

## INTERNATIONAL EQUITY

- Markets outside of the United States, as measured by the MSCI ACWI ex-U.S. Index, cooled somewhat in the third quarter returning 6.9%, just over half of the previous quarter's strong returns.
- 10 of the 11 sectors posted positive returns for the quarter. The top performing sectors were Materials (15.1%), Information Technology (11.0%) and Consumer Discretionary (10.8%). The worst performers for the quarter were Healthcare (1.9%), Utilities (1.8%), and Consumer Staples (-0.6%).
- Developed ex-U.S. Markets, as represented by the MSCI EAFE Index, underperformed emerging markets (EM), as represented by the MSCI Emerging Market Index, returning 4.8% versus 10.6% for the quarter. Returns from all international indices are in U.S. Dollars (USD) and were positively impacted by the continued softness of the U.S. dollar.
- Of the five largest-weighted countries in the MSCI EAFE Index, the MSCI Japan (8.0%) and MSCI United Kingdom (5.9%) indices outperformed the overall EAFE index. The MSCI France (3.2%) and MSCI Switzerland (1.4%) indices underperformed while the MSCI Germany Index (-1.1%) was the only of the top five that saw negative returns.
- Of the five largest-weighted countries in EM, MSCI China (20.7%), MSCI Taiwan (14.3%), and MSCI Korea (12.8%) outperformed the MSCI Emerging Markets index, while MSCI Brazil (8.3%) and MSCI India (-7.6%) underperformed. Taiwan and Korea continued their streak of double-digit returns supported by semiconductor names positively impacted by the AI theme.
- Value stocks outperformed growth stocks for the quarter as represented by the broad benchmarks. The MSCI AC World ex-USA Growth Index returned 5.7%, while the MSCI AC World ex-USA Value Index returned 8.1%. Within EM, growth outperformed value, returning 12.0% versus 7.9%. Small caps, as represented by the MSCI ACWI ex-U.S. Small Cap Index posted a return of 6.7%.
- Non-U.S. equity valuations rose over the third quarter. Both sit slightly above long-term averages. As of quarter-end, the MSCI EAFE's Adjusted Positive Forward P/E stood at 17.3 versus a 5-year average of 15.7. MSCI EM ended the quarter with an Adjusted Positive Forward P/E ratio of 15.2, above its 5-year average of 13.2.



Source: Bloomberg.

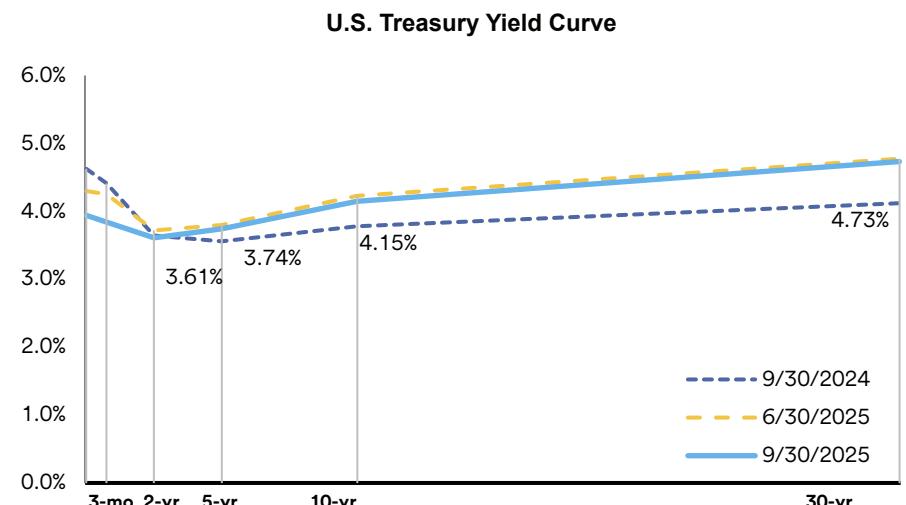


Source: Bloomberg.

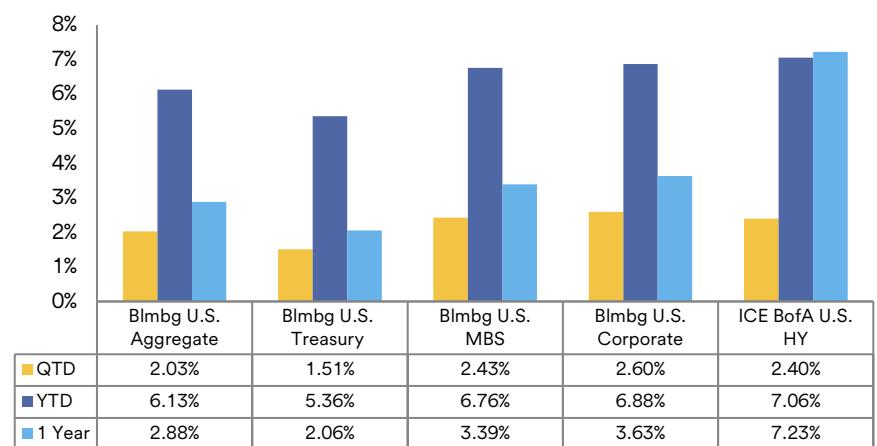
\*P/E ratios are calculated based on one-year forward estimates and adjusted to include only positive earnings results for consistency.

## FIXED INCOME

- The U.S. bond market, represented by the Bloomberg U.S. Aggregate Index, returned 2.0% during the third quarter.
- The Bloomberg U.S. Treasury Index closed the quarter returning 1.5%. As the Fed cut rates for the first time in September 2025 and guided two more rate cuts for the year, the yield curve flattened slightly as rates fell across the duration spectrum. 30-year Treasury yields fell to 4.7%, while the 2-year ended at 3.6%. Cash markets continued to provide higher yields than the 2-year Treasuries.
- Corporate credit saw positive returns across the quality spectrum for the quarter. The Investment Grade Bloomberg U.S. Corporate (IG Corp) Index returned 2.6% while High Yield bonds, as represented by the ICE BofA High Yield (HY) Index, returned 2.4%. Spreads tightened slightly over the quarter and are now below the 10-year average for both investment-grade and high yield. High profit margins, continued issuance, continued buybacks and ongoing mergers and acquisitions (M&A) activity points to positive corporate sentiment.
- The fixed-rate mortgage market, as measured by the Bloomberg U.S. Mortgage-Backed Securities (MBS) Index returned 2.4%. On the commercial side, the Bloomberg U.S. Agency CMBS Index returned 1.6% while the non-agency CMBS Index posted a return of 1.9%.



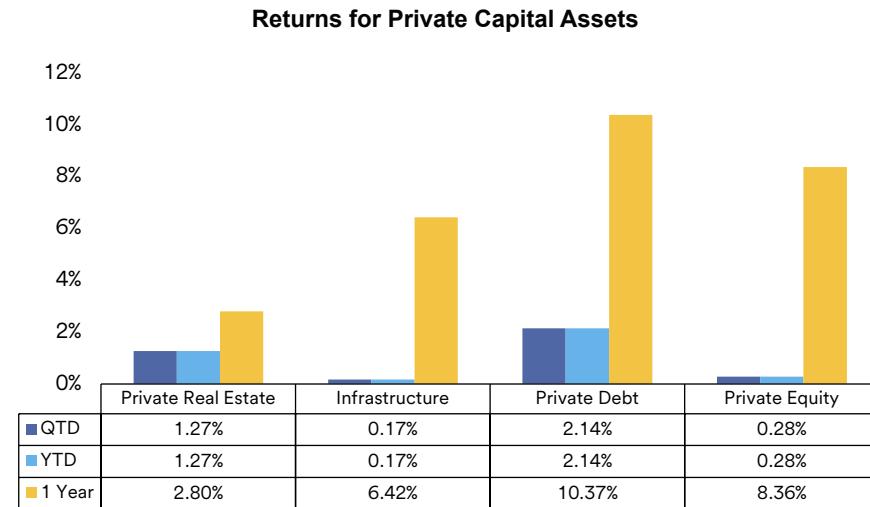
**Returns for Fixed-Income Segments**  
Periods Ended September 30, 2025



Source: Bloomberg.

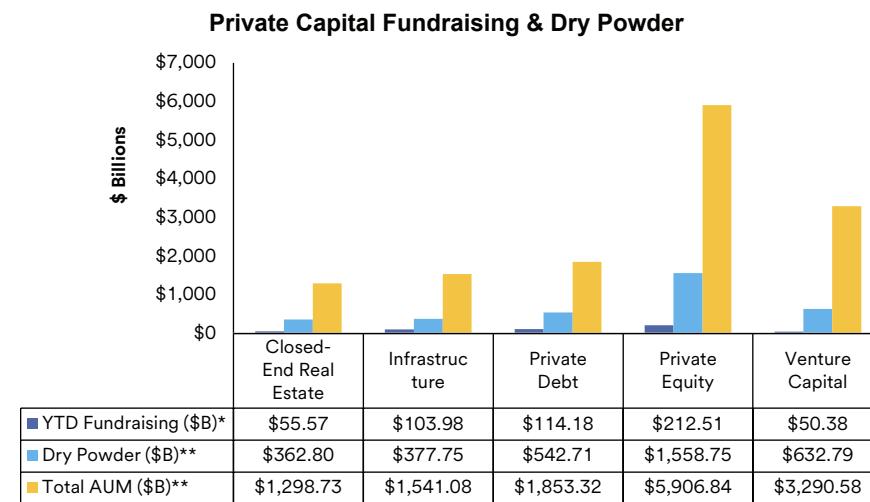
## ALTERNATIVES

- Real estate investment trusts (REITs), as measured by the MSCI U.S. REITs Index, returned 4.8% in the third quarter (a reversal from negative returns in the second quarter) leading to a YTD return of 4.7%. Private real estate, as measured by the NCREIF Property Index, gained 1.27% in the first quarter of 2025. Q1 2025 marked the second quarter of positive total returns in two years as property value declines leveled off across most sectors. The Seniors Housing category was the top performer, returning 1.9%, while Hotels returned a marginally positive 0.5%.
- Listed infrastructure, as measured by the MSCI World Core Infrastructure Index, returned 1.8% in the third quarter, down from a 5.4% return in the prior quarter. By the end of Q2 2025, 39 private infrastructure funds raised \$104.0 billion, maintaining the brisk pace of Q1. Most of the capital went to funds larger than \$5 billion which seek to capitalize on rising AI demand. Infrastructure dry powder has fallen from the previous year and stands at \$377.8 billion as of the end of 2024. According to PitchBook, infrastructure funds posted a return of 0.2% in Q1 2025. The asset class has generated an annualized return of 11.1% for the five years ended Q1 2025.
- By the end of Q2 2025, 82 private debt funds raised \$114.2 billion, with fundraising now on pace for another strong year by historical standards. Private debt dry powder remains above the long-term average at \$542.7 billion as of the end of 2024; although over 50% has been outstanding for more than two years. According to PitchBook, private debt funds posted a return of 2.14% in Q1 2025. The asset class has generated an annualized return of 10.37% for the five years ended Q1 2025.
- As of Q2 2025, 252 private equity funds raised \$212.5 billion – continuing the slower pace compared to the historical norms as constrained distributions hindered fundraising efforts. The bulk of the capital raised continues to flow to experienced managers raising capital for funds larger than \$1 billion. Global private equity dry powder, which accounts for the bulk of private capital dry powder, remains high at \$1.6 trillion as of the end of 2024. Recent private equity performance continues to feel the effects of higher borrowing costs and a slowdown in deal activity. According to PitchBook, private equity funds posted a return of 0.3% in Q1 2025. The asset class has generated an annualized return of 18.29% for the five years ended Q1 2025.



Source: NCREIF, PitchBook.

As of March 31, 2025, the most recent period for which all index data is available.



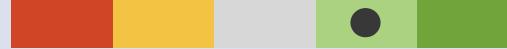
Sources: Pitchbook.

\* Total capital raised in 2025 as of June 30, 2025 - most recent period for which ALL fundraising data is available.

\*\* Cumulative dry powder and total AUM as of December 31, 2024.

\*\*\* Excluding open-end, evergreen fund vehicles.

**Factors to Consider Over the Next 6-12 Months**

<b>Monetary Policy (Global):</b>	<b>Economic Growth (Global):</b>	<b>Inflation (U.S.):</b>
 <ul style="list-style-type: none"> <li>The Fed cut rates by 25 bps in September citing rising downside risks to employment despite inflation remaining above its 2% target. Further rate cuts expected in 2025 and 2026.</li> <li>Major central banks have already eased (ECB and BOE) or are in the process of further easing (U.S. and Canada) except for the BOJ.</li> </ul>	 <ul style="list-style-type: none"> <li>Resilient U.S. growth driven by robust consumer spending and elevated business investment despite growing softness in the labor market.</li> <li>Trade tensions, elevated tariffs and a prolonged U.S. government shutdown remain key downside risks, while AI driven investment and fiscal support in some regions provide partial offsets.</li> </ul>	 <ul style="list-style-type: none"> <li>Inflation accelerated in Q3 led by rising goods prices and sticky services costs, keeping core inflation closer to 3%, well above the Fed's 2% target – a consideration for further rate cuts.</li> <li>Fed Chair Powell noted tariffs have begun to push up goods prices in some categories, but the base case is for these effects to be short-lived.</li> </ul>
<b>Financial Conditions (U.S.):</b>	<b>Consumer Spending (U.S.):</b>	<b>Labor Markets (U.S.):</b>
 <ul style="list-style-type: none"> <li>Financial conditions eased as tariff announcements were digested, renewing market confidence which resulted in equities reaching new all-time highs and credit spreads tightening to historical lows.</li> <li>Financial conditions expected to remain tailwind as monetary policy eases.</li> </ul>	 <ul style="list-style-type: none"> <li>Slower nominal wage growth combined with higher inflation has eroded real purchasing power. However, consumer activity remained resilient, driven by spending from higher income households.</li> <li>Further labor market softness, a significant correction in the equity market or higher pass-through of tariffs to goods prices remain the largest threats to consumer spending.</li> </ul>	 <ul style="list-style-type: none"> <li>Labor market conditions continued to cool with net new job creation nearing zero while being concentrated in just a few service sectors. Continued weakening can have impact on consumption.</li> <li>Despite some signs of cooling, the layoff rate remains low and points towards employers adopting a "no hire, no fire" approach.</li> </ul>
<b>Corporate Fundamentals:</b>	<b>Valuations:</b>	<b>Political/Policy Risks:</b>
 <ul style="list-style-type: none"> <li>Earnings growth expectations are positive across global equities, but expectations within U.S. positively impacted by AI spending tailwinds.</li> <li>In the U.S., capex deduction changes and rate cuts are positives while tariff/cost pressure impact on both earnings growth expectations and profit margins needs attention.</li> </ul>	 <ul style="list-style-type: none"> <li>U.S. equities and credit markets trade at valuations that are expensive relative to their history.</li> <li>Resilient growth, AI related spending tailwinds and higher profit margins are supportive of the current valuations while inflation and tariff risks are not fully reflected in the current valuations.</li> </ul>	 <ul style="list-style-type: none"> <li>Reconciliation bill passage, ongoing trade deals, peace progress on Israel–Hamas conflict are positives on policy front.</li> <li>Prolonged U.S. government shutdown, legal challenges to tariffs and possibility of further tariffs, Russia–Ukraine conflict are negatives.</li> </ul>

● Current outlook

○ Outlook one quarter ago

Stance Unfavorable  
to Risk Assets

Negative

Slightly  
Negative

Neutral

Slightly  
Positive

Positive

Stance Favorable to  
Risk Assets

*Statements and opinions expressed about the next 6-12 months were developed based on our independent research with information obtained from Bloomberg. The views expressed within this material constitute the perspective and judgment of PFM Asset Management, a division of U.S. Bancorp Asset Management, Inc., at the time of distribution (September 30, 2025) and are subject to change. Information is obtained from sources generally believed to be reliable and available to the public; however, we cannot guarantee its accuracy, completeness, or suitability.*

Investment Strategy Overview

Asset Class	Our Q4 2025 Investment Outlook	Comments
<b>U.S. Equities</b>		<ul style="list-style-type: none"> <li>Equity market rally on the back of trade deals led us to maintain neutral positioning through Q3 unwinding defensive stance taken in Q2.</li> <li>Looking ahead, we remain neutral at a time when easing monetary and fiscal policies and strong corporate earnings are positives while higher inflation, softening labor market, tariff/trade tensions (effective tariff rate currently at ~20%) and elevated valuations lead to some caution.</li> <li>Small-caps have been rallying recently in anticipation of Fed rate cuts, higher liquidity and improving sentiment, reaching their all time high at the end of Q3. We expect to remain neutral until we see some recovery across employment and manufacturing indicators.</li> </ul>
<b>Non-U.S. Equities</b>		<ul style="list-style-type: none"> <li>International equities have posted strong returns this year. Valuations are attractive relative to U.S. equities, but multiples have continued to creep higher this year as earnings growth has not kept the pace.</li> <li>Across Europe and China, we believe that there are structural/geopolitical issues that need to be addressed for long-term sustained outperformance.</li> <li>Fed rate cuts, weaker USD, improved sentiment and continued stimulus in China led to strong performance for EM equities but tariff driven uncertainty remains in place.</li> </ul>
<b>Fixed Income</b>		<ul style="list-style-type: none"> <li>Fed cut rates by 25 bps in September for the first time in 2025 and provided guidance for two more rate cuts this year.</li> <li>Yield curve has steepened in anticipation of the rate cuts. We expect long term rates to be range-bound due to inflation expectations and fiscal debt concerns.</li> <li>We remain duration neutral at this time. Absolute yield levels look attractive even as credit spreads are closer to historical lows. We are neutral to credit sectors at this time given the tighter spreads even as corporate fundamentals remain strong.</li> </ul>
<b>Diversifying Assets</b>		
		<ul style="list-style-type: none"> <li>REIT performance has been sensitive to the long-term yields and have recently shown recovery in performance. Rate cuts and period of slow but continued growth are expected to be tailwinds.</li> <li>Improving AI sentiment bodes well for data center buildout and utilities are long-term tailwinds for listed infrastructure.</li> </ul>

Current outlook

Outlook one quarter ago



The view expressed within this material constitute the perspective and judgment of PFM Asset Management, a division of U.S. Bancorp Asset Management, Inc., at the time of distribution (September 30, 2025) and are subject to change.

## Sources

Factset

<https://www.bea.gov/sites/default/files/2024-12/gdp3q24-3rd-fax.pdf>

<https://www.bls.gov/news.release/pdf/empstat.pdf>

<https://www.bls.gov/news.release/pdf/cpi.pdf>

<http://www.sca.isr.umich.edu/>

NCREIF

PitchBook

Cliffwater

## Disclosures

*Indices shown are not available for investment. The index data reference herein is the property of the index provider and/or its licensors. The index provider assumes no liability in connection with its use and does not sponsor, endorse or recommend the products or services contained herein. Index returns do not reflect payment of any sales charges or fees an investor would pay to purchase the securities they represent. The imposition of these fees and charges would cause investment performance to be lower than the performance shown.*

*The views expressed within this material constitute the perspective and judgment of U.S. Bancorp Asset Management, Inc. at the time of distribution and are subject to change. Any forecast, projection, or prediction of the market, the economy, economic trends, and equity or fixed-income markets are based upon current opinion as of the date of issue and are also subject to change. Opinions and data presented are not necessarily indicative of future events or expected performance. Information contained herein is based on data obtained from recognized statistical services, issuer reports or communications, or other sources, believed to be reliable. No representation is made as to its accuracy or completeness.*

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## **Plan Performance Summary**

## Asset Allocation &amp; Performance

	Allocation %	Performance(%)									
		1 Quarter	Year To Date	1 Year	3 Years	5 Years	7 Years	10 Years	Since Inception	Inception Date	
<b>Total Portfolio</b>	<b>100.00</b>	<b>4.85</b>	<b>11.36</b>	<b>9.94</b>	<b>14.71</b>	<b>8.50</b>	<b>7.85</b>	<b>8.37</b>	<b>6.48</b>	<b>02/01/2007</b>	
Blended Benchmark		5.17	11.04	10.08	14.80	8.62	7.96	8.50	6.72		
<b>Domestic Equity</b>	<b>36.56</b>	<b>8.11</b>	<b>14.35</b>	<b>17.24</b>	<b>22.99</b>	<b>15.29</b>	<b>12.39</b>	<b>13.66</b>	<b>9.63</b>	<b>02/01/2007</b>	
Russell 3000 Index		8.18	14.40	17.41	24.12	15.74	13.71	14.71	10.46		
Columbia Contrarian Core Inst3	7.67	7.71	14.52	17.26	25.78	16.73	14.85	14.97	21.80	02/01/2024	
S&P 500		8.12	14.83	17.60	24.94	16.47	14.45	15.30	22.99		
Putnam Core Equity Fund Y	3.15	8.26	13.22	15.98	25.92	18.24	15.00	15.64	15.98	10/01/2024	
Schwab US Large-Cap ETF	23.74	8.04	14.73	17.95	24.89	16.04	14.28	15.13	17.95	10/01/2024	
S&P 500		8.12	14.83	17.60	24.94	16.47	14.45	15.30	17.60		
Undisc Managers Behavioral Val R6	1.03	5.31	2.60	2.27	13.85	19.84	8.37	10.47	9.12	02/01/2024	
Russell 2000 Value Index		12.60	9.04	7.88	13.56	14.59	6.40	9.23	13.46		
Russell 2000 Index		12.39	10.39	10.76	15.21	11.56	6.76	9.77	16.02		
Columbia Small Cap Growth Inst3	0.48	14.20	16.75	21.42	23.81	7.80	11.96	14.87	21.42	10/01/2024	
Russell 2000 Growth Index		12.19	11.65	13.56	16.68	8.41	6.62	9.90	13.56		
Russell 2000 Index		12.39	10.39	10.76	15.21	11.56	6.76	9.77	10.76		
Emerald Growth Institutional	0.50	17.99	24.36	27.59	23.39	11.99	9.81	11.80	29.42	02/01/2024	
Russell 2000 Growth Index		12.19	11.65	13.56	16.68	8.41	6.62	9.90	18.57		
Russell 2000 Index		12.39	10.39	10.76	15.21	11.56	6.76	9.77	16.02		
<b>International Equity</b>	<b>18.15</b>	<b>5.60</b>	<b>24.48</b>	<b>14.54</b>	<b>19.18</b>	<b>9.19</b>	<b>7.26</b>	<b>7.95</b>	<b>4.11</b>	<b>02/01/2007</b>	
MSCI AC World ex USA (Net)		6.89	26.02	16.45	20.67	10.26	7.49	8.23	4.42		
MFS International Growth R6	2.68	3.49	19.50	10.47	19.69	9.30	8.93	10.28	17.89	02/01/2024	
MSCI AC World ex USA (Net)		6.89	26.02	16.45	20.67	10.26	7.49	8.23	19.37		
Fidelity International Index	7.28	4.62	26.17	15.60	22.34	11.38	7.97	8.34	18.80	07/01/2024	
MSCI EAFE (net)		4.77	25.14	14.99	21.70	11.15	7.71	8.17	18.27		
Goldman Sachs GQG Ptnrs Intl Opportunities	2.60	0.35	16.26	5.19	19.33	9.40	10.47	N/A	4.28	07/01/2024	
MSCI AC World ex USA (Net)		6.89	26.02	16.45	20.67	10.26	7.49	8.23	20.18		
Fidelity Emerging Markets Index Fund	5.60	10.65	28.11	18.64	18.05	6.64	5.94	7.72	9.21	08/01/2025	
MSCI EM (net)		10.64	27.53	17.32	18.21	7.02	6.17	7.99	8.53		

Returns are gross of investment advisory fees and net of mutual fund fees. Returns are expressed as percentages and for periods over one year are annualized. Asset class level returns may vary from individual underlying manager returns due to cash flows. Total Portfolio returns prior to 1/1/2024 were provided by previous Advisor and believed to be accurate and reliable. Returns for January 2024 were calculated by the legacy performance system <sup>135</sup> previous Advisor and believed to be accurate and reliable.

## Asset Allocation &amp; Performance

	Allocation		Performance(%)								
	%	1 Quarter	Year To Date	1 Year	3 Years	5 Years	7 Years	10 Years	Since Inception	Inception Date	
<b>Other Growth</b>	<b>5.65</b>	<b>2.17</b>	<b>11.27</b>	<b>4.41</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>10.43</b>	<b>02/01/2024</b>	
Cohen & Steers Inst Realty Shares	2.67	1.24	5.81	-3.28	9.54	8.10	7.36	7.57	10.95	06/01/2024	
<i>MSCI US REIT Index</i>		<b>4.81</b>	<b>4.72</b>	<b>-1.69</b>	<b>10.87</b>	<b>9.30</b>	<b>6.14</b>	<b>6.61</b>	<b>12.82</b>		
Lazard Global Listed Infrastructure Inst	1.51	1.80	17.99	15.63	15.26	11.65	9.19	9.72	15.63	10/01/2024	
<i>MSCI World Core Infrastructure Index (Net)</i>		<b>1.80</b>	<b>15.48</b>	<b>8.21</b>	<b>11.34</b>	<b>7.86</b>	<b>7.47</b>	<b>8.27</b>	<b>8.21</b>		
NYLI CBRE Global Infrastructure	1.47	4.33	15.37	9.13	12.54	8.95	8.06	8.69	14.46	06/01/2024	
<i>FTSE Global Core Infrastructure 50/50 Index (Net)</i>		<b>3.80</b>	<b>13.45</b>	<b>6.94</b>	<b>11.45</b>	<b>8.53</b>	<b>7.16</b>	<b>7.68</b>	<b>13.38</b>		
<b>Fixed Income</b>	<b>37.38</b>	<b>2.19</b>	<b>6.39</b>	<b>3.35</b>	<b>5.79</b>	<b>0.58</b>	<b>2.51</b>	<b>2.37</b>	<b>3.59</b>	<b>02/01/2007</b>	
<i>Blmbg. U.S. Aggregate</i>		<b>2.03</b>	<b>6.13</b>	<b>2.88</b>	<b>4.93</b>	<b>-0.45</b>	<b>2.06</b>	<b>1.84</b>	<b>3.20</b>		
Baird Aggregate Bond Inst	10.06	2.14	6.29	3.08	5.58	-0.12	2.47	2.26	6.07	03/01/2024	
iShares Core US Aggregate Bond ETF	8.31	2.04	6.13	2.89	4.92	-0.45	2.04	1.81	5.78	03/01/2024	
<i>Blmbg. U.S. Aggregate</i>		<b>2.03</b>	<b>6.13</b>	<b>2.88</b>	<b>4.93</b>	<b>-0.45</b>	<b>2.06</b>	<b>1.84</b>	<b>5.78</b>		
Dodge & Cox Income	6.36	2.51	6.94	3.39	6.57	1.29	3.27	3.23	5.57	02/01/2024	
PGIM Total Return Bond R6	6.34	2.37	6.57	3.73	6.58	0.39	2.79	2.82	5.61	02/01/2024	
<i>Blmbg. U.S. Aggregate</i>		<b>2.03</b>	<b>6.13</b>	<b>2.88</b>	<b>4.93</b>	<b>-0.45</b>	<b>2.06</b>	<b>1.84</b>	<b>4.58</b>		
Voya Intermediate Bond	3.54	2.11	6.48	3.52	6.05	0.31	2.66	2.59	3.27	05/01/2025	
<i>Blmbg. U.S. Aggregate</i>		<b>2.03</b>	<b>6.13</b>	<b>2.88</b>	<b>4.93</b>	<b>-0.45</b>	<b>2.06</b>	<b>1.84</b>	<b>2.86</b>		
NYLI MacKay High Yield Corp Bond Fund	2.77	1.85	5.76	5.97	9.67	5.29	5.08	5.82	7.96	03/01/2024	
<i>ICE BofA US High Yield Index</i>		<b>2.40</b>	<b>7.06</b>	<b>7.23</b>	<b>10.97</b>	<b>5.53</b>	<b>5.18</b>	<b>6.07</b>	<b>9.51</b>		
<b>Cash Equivalent</b>	<b>2.26</b>	<b>1.06</b>	<b>3.22</b>	<b>4.42</b>	<b>4.59</b>	<b>2.86</b>	<b>2.46</b>	<b>1.95</b>	<b>1.23</b>	<b>01/01/2008</b>	
<i>ICE BofA 3 Month U.S. T-Bill</i>		<b>1.08</b>	<b>3.17</b>	<b>4.38</b>	<b>4.77</b>	<b>2.98</b>	<b>2.62</b>	<b>2.08</b>	<b>1.32</b>		
First American Government Obligation - X	2.26	1.06	3.22	4.42	4.78	2.98	2.56	N/A	4.78	02/01/2024	
<i>ICE BofA 3 Month U.S. T-Bill</i>		<b>1.08</b>	<b>3.17</b>	<b>4.38</b>	<b>4.77</b>	<b>2.98</b>	<b>2.62</b>	<b>2.08</b>	<b>4.80</b>		

Returns are gross of investment advisory fees and net of mutual fund fees. Returns are expressed as percentages and for periods over one year are annualized. Asset class level returns may vary from individual underlying manager returns due to cash flows. Total Portfolio returns prior to 1/1/2024 were provided by previous Advisor and believed to be accurate and reliable. Returns for January 2024 were calculated by the legacy performance system <sup>136</sup> previous Advisor and believed to be accurate and reliable.

## Calendar Year Comparative Performance

	Performance(%)									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
<b>Total Portfolio</b>	<b>10.98</b>	<b>15.95</b>	<b>-15.21</b>	<b>11.52</b>	<b>13.60</b>	<b>20.13</b>	<b>-4.73</b>	<b>15.63</b>	<b>6.69</b>	<b>0.07</b>
<i>Blended Benchmark</i>	11.61	15.19	-14.58	12.54	13.07	19.78	-4.18	13.54	8.39	-0.30
<b>Domestic Equity</b>	<b>21.60</b>	<b>24.92</b>	<b>-18.85</b>	<b>23.57</b>	<b>18.56</b>	<b>29.35</b>	<b>-5.92</b>	<b>21.73</b>	<b>11.40</b>	<b>1.15</b>
<i>Russell 3000 Index</i>	23.81	25.96	-19.21	25.66	20.89	31.02	-5.24	21.13	12.74	0.48
Columbia Contrarian Core Inst3	23.51	32.21	-18.45	24.45	22.44	33.08	-8.81	21.89	8.77	3.25
Putnam Core Equity Fund Y	26.47	27.99	-15.87	30.75	17.66	32.50	-7.91	24.01	13.58	-2.89
Schwab US Large-Cap ETF	24.91	26.87	-19.45	26.75	20.90	31.40	-4.53	21.92	11.77	1.02
S&P 500	25.02	26.29	-18.11	28.71	18.40	31.49	-4.38	21.83	11.96	1.38
Undisc Managers Behavioral Val R6	10.35	14.57	-1.10	34.50	3.62	23.34	-15.20	13.53	20.97	3.52
<i>Russell 2000 Value Index</i>	8.05	14.65	-14.48	28.27	4.63	22.39	-12.86	7.84	31.74	-7.47
<i>Russell 2000 Index</i>	11.54	16.93	-20.44	14.82	19.96	25.53	-11.01	14.65	21.31	-4.41
Columbia Small Cap Growth Inst3	24.45	26.39	-36.51	-2.54	70.41	41.18	-1.92	28.94	13.00	4.19
Emerald Growth Institutional	19.41	19.06	-24.50	4.04	38.85	28.70	-11.57	28.11	10.89	1.24
<i>Russell 2000 Growth Index</i>	15.15	18.66	-26.36	2.83	34.63	28.48	-9.31	22.17	11.32	-1.38
<i>Russell 2000 Index</i>	11.54	16.93	-20.44	14.82	19.96	25.53	-11.01	14.65	21.31	-4.41
<b>International Equity</b>	<b>4.22</b>	<b>14.07</b>	<b>-15.86</b>	<b>4.69</b>	<b>14.40</b>	<b>23.68</b>	<b>-15.54</b>	<b>30.22</b>	<b>3.33</b>	<b>-5.23</b>
<i>MSCI AC World ex USA (Net)</i>	5.53	15.62	-16.00	7.82	10.65	21.51	-14.20	27.19	4.50	-5.66
MFS International Growth R6	9.24	14.96	-15.02	9.65	15.82	27.31	-8.79	32.58	2.79	0.40
<i>MSCI AC World ex USA (Net)</i>	5.53	15.62	-16.00	7.82	10.65	21.51	-14.20	27.19	4.50	-5.66
Fidelity International Index	3.71	18.31	-14.24	11.45	8.17	22.00	-13.52	25.38	1.34	-0.73
<i>MSCI EAFE (net)</i>	3.82	18.24	-14.45	11.26	7.82	22.01	-13.79	25.03	1.00	-0.81
Goldman Sachs GQG Ptnrs Intl Opportunities	5.99	21.25	-11.10	12.49	15.77	27.64	-6.04	31.76	N/A	N/A
<i>MSCI AC World ex USA (Net)</i>	5.53	15.62	-16.00	7.82	10.65	21.51	-14.20	27.19	4.50	-5.66
Fidelity Emerging Markets Index Fund	6.80	9.50	-20.07	-3.04	17.82	18.26	-14.63	37.65	11.26	-15.84
<i>MSCI EM (net)</i>	7.50	9.83	-20.09	-2.54	18.31	18.42	-14.57	37.28	11.19	-14.92

Returns are gross of investment advisory fees and net of mutual fund fees. Returns are expressed as percentages and for periods over one year are annualized. Asset class level returns may vary from individual underlying manager returns due to cash flows. Total Portfolio returns prior to 1/1/2024 were provided by previous Advisor and believed to be accurate and reliable. Returns for January 2024 were calculated by the legacy performance system <sup>187</sup> previous Advisor and believed to be accurate and reliable.

## Calendar Year Comparative Performance

	Performance(%)									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
<b>Other Growth</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
Cohen & Steers Inst Realty Shares	6.24	12.72	-24.73	42.47	-2.57	33.01	-3.99	7.45	5.91	5.23
<i>MSCI US REIT Index</i>	<i>8.75</i>	<i>13.74</i>	<i>-24.51</i>	<i>43.06</i>	<i>-7.57</i>	<i>25.84</i>	<i>-4.57</i>	<i>5.07</i>	<i>8.60</i>	<i>2.52</i>
Lazard Global Listed Infrastructure Inst	6.71	10.89	-1.30	19.87	-4.48	22.26	-3.73	20.80	9.30	9.30
<i>MSCI World Core Infrastructure Index (Net)</i>	<i>5.73</i>	<i>4.01</i>	<i>-7.93</i>	<i>17.13</i>	<i>-0.80</i>	<i>26.64</i>	<i>-2.66</i>	<i>19.25</i>	<i>10.96</i>	<i>-9.89</i>
NYLI CBRE Global Infrastructure	7.68	3.96	-6.08	15.22	1.17	28.46	-6.56	20.48	10.13	-4.89
<i>FTSE Global Core Infrastructure 50/50 Index (Net)</i>	<i>9.53</i>	<i>2.21</i>	<i>-4.87</i>	<i>14.88</i>	<i>-4.06</i>	<i>25.13</i>	<i>-3.99</i>	<i>18.39</i>	<i>10.87</i>	<i>-8.79</i>
<b>Fixed Income</b>	<b>2.22</b>	<b>6.94</b>	<b>-12.26</b>	<b>-0.73</b>	<b>7.26</b>	<b>8.33</b>	<b>-0.27</b>	<b>4.53</b>	<b>3.21</b>	<b>0.22</b>
<i>Blmbg. U.S. Aggregate</i>	<i>1.25</i>	<i>5.53</i>	<i>-13.01</i>	<i>-1.55</i>	<i>7.51</i>	<i>8.72</i>	<i>0.01</i>	<i>3.54</i>	<i>2.65</i>	<i>0.55</i>
Baird Aggregate Bond Inst	1.85	6.43	-13.35	-1.46	8.63	9.48	-0.30	4.20	3.52	0.55
iShares Core US Aggregate Bond ETF	1.37	5.59	-13.06	-1.67	7.42	8.68	-0.05	3.53	2.56	0.48
Dodge & Cox Income	2.26	7.70	-10.87	-0.91	9.45	9.73	-0.31	4.36	5.61	-0.59
PGIM Total Return Bond R6	3.03	7.78	-14.86	-1.15	8.10	11.14	-0.63	6.71	4.83	0.09
Voya Intermediate Bond	2.93	7.07	-14.16	-0.99	8.22	10.06	-0.25	4.84	4.04	0.73
<i>Blmbg. U.S. Aggregate</i>	<i>1.25</i>	<i>5.53</i>	<i>-13.01</i>	<i>-1.55</i>	<i>7.51</i>	<i>8.72</i>	<i>0.01</i>	<i>3.54</i>	<i>2.65</i>	<i>0.55</i>
NYLI MacKay High Yield Corp Bond Fund	7.14	11.97	-7.81	5.35	5.28	13.03	-1.34	6.79	15.99	-1.44
<i>ICE BofA US High Yield Index</i>	<i>8.20</i>	<i>13.46</i>	<i>-11.22</i>	<i>5.36</i>	<i>6.17</i>	<i>14.41</i>	<i>-2.27</i>	<i>7.48</i>	<i>17.49</i>	<i>-4.64</i>
<b>Cash Equivalent</b>	<b>4.73</b>	<b>4.95</b>	<b>1.48</b>	<b>0.02</b>	<b>0.35</b>	<b>2.08</b>	<b>1.72</b>	<b>0.75</b>	<b>0.27</b>	<b>0.04</b>
<i>ICE BofA 3 Month U.S. T-Bill</i>	<i>5.25</i>	<i>5.02</i>	<i>1.46</i>	<i>0.05</i>	<i>0.67</i>	<i>2.28</i>	<i>1.87</i>	<i>0.86</i>	<i>0.33</i>	<i>0.05</i>
First American Government Obligation - X	5.19	5.00	1.54	0.03	0.40	2.12	1.74	0.79	N/A	N/A
<i>ICE BofA 3 Month U.S. T-Bill</i>	<i>5.25</i>	<i>5.02</i>	<i>1.46</i>	<i>0.05</i>	<i>0.67</i>	<i>2.28</i>	<i>1.87</i>	<i>0.86</i>	<i>0.33</i>	<i>0.05</i>

Returns are gross of investment advisory fees and net of mutual fund fees. Returns are expressed as percentages and for periods over one year are annualized. Asset class level returns may vary from individual underlying manager returns due to cash flows. Total Portfolio returns prior to 1/1/2024 were provided by previous Advisor and believed to be accurate and reliable. Returns for January 2024 were calculated by the legacy performance system <sup>138</sup> previous Advisor and believed to be accurate and reliable.

## Historical Hybrid Composition - PARS Balanced/Moderately Aggressive

Allocation Mandate	Weight (%)	Allocation Mandate	Weight (%)
<b>Jul-2025</b>		<b>Jul-1986</b>	
Russell 3000 Index	36.0	S&P 500	60.0
MSCI AC World ex USA (Net)	18.0	Blmbg. U.S. Aggregate	30.0
MSCI US REIT Index	3.0	ICE BofA 1-3 Yr. Gov/Corp	5.0
MSCI World Core Infrastructure Index (Net)	3.0	FTSE 1 Month T-Bill	5.0
Blmbg. U.S. Aggregate	35.0		
ICE BofA US High Yield Index	3.0		
ICE BofA 3 Month U.S. T-Bill	2.0		
<b>Oct-2012</b>			
S&P 500	32.0		
Blmbg. U.S. Aggregate	27.0		
Russell 2000 Index	9.0		
MSCI EAFE (net)	7.0		
ICE BofA 1-3 Yr. Gov/Corp	6.8		
Russell Midcap Index	6.0		
FTSE 1 Month T-Bill	5.0		
MSCI EM (net)	4.0		
Wilshire US REIT Index	2.0		
ICE BofA US High Yield Index	1.3		
<b>Apr-2007</b>			
S&P 500	51.0		
Blmbg. U.S. Aggregate	30.0		
MSCI EAFE (net)	6.0		
ICE BofA 1-3 Yr. Gov/Corp	5.0		
FTSE 1 Month T-Bill	5.0		
Russell 2000 Index	3.0		

\*The benchmark for the PARS Balanced strategy defined above was assigned to the PARS OPEB Trust Balanced Strategic Blend upon its inception on February 2007

## IMPORTANT DISCLOSURES

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This material is for general information purposes only and is not intended to provide specific advice or a specific recommendation, as it was prepared without regard to any specific objectives or financial circumstances.

PFMAM professionals have exercised reasonable professional care in the preparation of this performance report. Information in this report is obtained from sources external to PFMAM and is generally believed to be reliable and available to the public; however, we cannot guarantee its accuracy, completeness or suitability. We rely on the client's custodian for security holdings and market values. Transaction dates reported by the custodian may differ from money manager statements. While efforts are made to ensure the data contained herein is accurate and complete, we disclaim all responsibility for any errors that may occur. References to particular issuers are for illustrative purposes only and are not intended to be recommendations or advice regarding such issuers. Fixed income manager and index characteristics are gathered from external sources. When average credit quality is not available, it is estimated by taking the market value weights of individual credit tiers on the portion of the strategy rated by a NRSRO.

It is not possible to invest directly in an index. The index returns shown throughout this material do not represent the results of actual trading of investor assets. Third-party providers maintain the indices shown and calculate the index levels and performance shown or discussed. Index returns do not reflect payment of any sales charges or fees an investor would pay to purchase the securities they represent. The imposition of these fees and charges would cause investment performance to be lower than the performance shown.

The views expressed within this material constitute the perspective and judgment of PFMAM at the time of distribution and are subject to change. Any forecast, projection, or prediction of the market, the economy, economic trends, and equity or fixed-income markets are based upon certain assumptions and current opinion as of the date of issue and are also subject to change. Some, but not all assumptions are noted in the report. Assumptions may or may not be proven correct as actual events occur, and results may depend on events outside of your or our control. Changes in assumptions may have a material effect on results. Opinions and data presented are not necessarily indicative of future events or expected performance.

PFM Asset Management serves clients in the public sector and is a division of U.S. Bancorp Asset Management, Inc., which is the legal entity providing investment advisory services. U.S. Bancorp Asset Management, Inc. is a registered investment adviser, a direct subsidiary of U.S. Bank N.A. and an indirect subsidiary of U.S. Bancorp. U.S. Bank N.A. is not responsible for and does not guarantee the products, services, or performance of U.S. Bancorp Asset Management, Inc.

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# ADMINISTRATIVE REVIEW

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- 1 Client funding policy & feedback (future contributions & disbursement)
- 2 Agency's future actuarial valuation for GASB 75 compliance  
Next valuation measurement date: June 2026
- 3 Pension Rate Stabilization Program (PRSP)
- 4 Employer Portal – Available
- 5 Reporting & Compliance



# EMPLOYER PORTAL

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**The Public Agency Retirement Services (PARS) employer portal for the IRC Section 115 Trust includes the following features:**

- Latest monthly account balance
- Transaction history
- Downloadable prior statements
- Investment Performance

**To access this powerful tool for account management, please provide:**

- Opt-In Addendum
- Agency Personnel Designation Form

[employer.pars.org](http://employer.pars.org)

# GASB COMPLIANCE

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- **To assist our public agency clients with GASB compliance, PARS will be providing the following:**
  - An individual trust statement of each agency's plan assets that shows a reconciliation of assets held at the beginning of the fiscal year through the end of the fiscal year, breaking out the appropriate plan contributions, benefit payments, expenses, and investment earnings
  - Year-end audited financial statements of the Trust as a whole including Schedule of Changes in Fiduciary Net Position by Employer completed by CliftonLarsonAllen (CLA) that is intended to be compliant with GASB 67/68 and GASB 74/75 requirements.
  - Supporting SOC 1-Type 2 report on the controls over the calculation and allocation of additions and deductions to employer accounts within the Trust
  - Investment allocation data and information on investment policies including target asset allocations and allowable asset class allocation ranges
- PARS Auditors have determined that participating plans should be considered an agent multiple-employer defined benefit OPEB plan (agent OPEB plan) as defined under GASB

*The*

# PARS PENSION RATE STABILIZATION PROGRAM

*for prefunding pension obligations*



# PENSION FUNDING STATUS

As of June 30, 2024, South Orange County Wastewater Authority's CalPERS pension plan is funded as follows\*:

Combined Miscellaneous Groups *	Valuation as of June 30, 2023	Valuation as of June 30, 2024	Change
Actuarial Liability	\$71.2 M	\$74.7 M	4.9% ↑
Assets	\$49.7 M	\$53.5 M	7.6% ↑
Unfunded Liability	\$21.5 M	\$21.2 M	1.4% ↓
Funded Ratio	69.8%	71.6%	2.6% ↑
Employer Contribution Amount	\$2.3 M (FY 24-25)	\$2.5 M (FY 25-26)	10.6% ↑
Employer Contribution Amount – Projected *	---	\$3.1 M (FY 31-32)	24.7% ↑

\* Data through 2031-32 from Agency's latest CalPERS actuarial valuation.

# PARS CLIENT LIST – PRSP (333)

Updated December 2025

## CITIES & TOWNS (159)

Alameda	Commerce	Foster City	Lake Forest	Oakley	Rocklin	Tucson
Anaheim	Corcoran	Fountain Valley	Lakeport	Oroville	Rohnert Park	Tustin
Angels Camp	Coronado	Fullerton	Lemon Grove	Pacifica	Rolling Hills	Twenty-nine Palms
Atherton	Costa Mesa	Garden Grove	Lincoln	Page	Ross	Vallejo
Atwater	Cudahy	Gilroy	Lindsay	Palmdale	San Anselmo	Villa Park
Bakersfield	Cupertino	Glendale	Live Oak	Palo Alto	San Clemente	Walnut
Beaumont	Cypress	Glendora	Livermore	Pasadena	San Jacinto	West Covina
Bell Gardens	Daly City	Goleta	Lodi	Patterson	San Leandro	West Sacramento
Benicia	Dana Point	Grand Terrace	Los Alamitos	Perris	San Ramon	Westminster
Bishop	Del Rey Oaks	Grass Valley	Los Altos Hills	Pico Rivera	Sanger	Woodland
Brea	Desert Hot Springs	Half Moon Bay	Manhattan Beach	Piedmont	Santa Ana	Woodside
Brentwood	Dinuba	Healdsburg	Merced	Pinole	Santa Barbara	Yountville
Brisbane	Duarte	Hemet	Modesto	Pittsburg	Santa Clara	Yuba City
Burlingame	Dublin	Hercules	Monrovia	Pleasant Hill	Santa Clarita	Yucca Valley
Calabasas	El Cajon	Hollister	Monterey	Pleasanton	Sausalito	
Camarillo	El Centro	Huntington Beach	Moreno Valley	Pomona	Seaside	
Capitola	El Cerrito	Imperial Beach	Morgan Hill	Port Hueneme	Selma	
Carlsbad	Elk Grove	Indian Wells	Morro Bay	Quincy	Solana Beach	
Carmel	Emeryville	Indio	Murrieta	Rancho Cucamonga	Stanton	
Chino Hills	Escondido	Ione	Napa	Redwood City	Sutter Creek	
Chula Vista	Fairfax	La Habra	National City	Rialto	Taft	
Claremont	Fairfield	La Mesa	Newark	Richmond	Temecula	
Clifton	Fort Bragg	La Quinta	Norco	Rio Vista	Thousands Oaks	
Colma	Fortuna	Laguna Niguel	Novato	Ripon	Tiburon	

## COUNTIES (33)

Amador	Placer
Calaveras	Plumas
Del Norte	Riverside
Colusa	San Benito
Glenn	San Joaquin
Humboldt	Shasta
Inyo	Siskiyou
Kings	Solano
Lake	Sutter
Lassen	Tehama
Madera	Trinity
Mariposa	Tulare
Mendocino	Tuolumne
Merced	Yolo
Monterey	Yuba
Mono	
Napa	
Nevada	

## EDUCATION DISTRICTS (56)

Alisal Union School District	Corning Union Elementary SD	Hesperia Unified School District	Natomas Unified School District	Roseville Joint Union High SD	Victor Valley CCD
Allan Hancock CCD	Coronado Unified School District	Imperial Community College District	Ocean View School District	Salinas City Elementary SD	Visalia Unified School District
Alta Loma Unified School District	Cotati-Rohnert Park USD	Jurupa Unified School District	Ontario-Montclair School District	San Bernardino CCD	West Valley-Mission CCD
Bass Lake Joint Union ESD	Dry Creek Joint Elementary SD	Lake Elsinore Unified School District	Pasadena CCD	San Luis Obispo Co. CCD (Cuesta)	Whittier City School District
Beverly Hills Unified SD	El Monte Union High School District	Lakeside Union School District	Peralta Community College District	San Marino Unified School District	Yosemite Community College District
Brea Olinda Unified SD	Folsom Cordova Unified SD	Lemon Grove School District	Placer Union High School District	Santa Rita Union School District	Yuba Community College District
Calistoga Joint Unified SD	Fontana Unified School District	Lindsay Unified School District	Porterville Unified School District	Savanna School District	
Campbell Union High SD	Grossmont-Cuyamaca CCD	Madera Unified School District	Rancho Santiago CCD	Shasta County Office of Education	
Citrus Community College District	Hartnell Community College District	Marin Community College District	Rio Hondo CCD	Shasta-Trinity-Tehama Joint CCD	
Coast Community College District	Hermosa Beach City School District	Monterey Peninsula CCD	River Delta Unified School District	Upland Unified School District	

## SPECIAL DISTRICTS (86)

Agoura Hills/Calabasas Community Center Auth.	Goleta West Sanitary District	Napa County Mosquito Abatement District	Santa Barbara Co. Law Library
Alameda County Mosquito Abatement District	Great Basin Unified Air Pollution Control District	Nevada County Consolidated Fire Department	Santa Fe Irrigation District
Alpine Fire Protection District	Greater Vallejo Recreation District	Newcastle-Rocklin-Gold Hill Cemetery District	Shasta Valley Cemetery District
Beach Cities Health District	Hesperia Fire Protection District	North Central Fire District	<b>South Coast Water District</b>
<b>Bighorn-Desert View Water Agency</b>	Housing Authority of the City of Fresno	North Coast Air Quality Management District	South Placer Fire Protection District
California Governmental Risk Authority	Housing Authority of the County of Butte	North County Fire Protection District	Southern Marin Fire Protection District
<b>Calaveras County Water District</b>	Housing Authority of the County of Fresno	Novato Sanitary District	Superior Court of CA, County of Inyo
Central Arizona Fire and Medical Authority	Housing Authority of the County of San Bernardino	Oakland Housing Authority	Superior Court of CA, County of Kern
Central Contra Costa Sanitary District	Housing Authority of the County of Santa Cruz	Orange County Fire Authority	<b>Sweetwater Springs Water District</b>
Central Contra Costa Transit Authority	<b>Humboldt Bay Municipal Water District</b>	Orange County LAFCO	Tahoe City Public Utility District
<b>Coachella Valley Water District</b>	Mesa Water District	Orange County Mosquito & Vector District	<b>Three Valleys Municipal Water District</b>
Colusa Mosquito Abatement District	Metropolitan Transportation Commission	Orange County Sanitation District	Twenty-nine Palms Water District
County Sanitation District No. 2 of Los Angeles Co.	Midpeninsula Regional Open Space District	<b>Orchard Dale Water District</b>	Union Sanitary District
Delta Diablo (Sanitation District)	<b>Midpeninsula Water District</b>	Pebble Beach Community Services District	Waterloo Morada Fire District
East Bay Regional Park District	Mojave Desert Air Quality Management District	Placer County Air Pollution Control District	West Bay Sanitary District
<b>East Orange County Water District</b>	Montecito Fire Protection District	Rancho Adobe Fire Protection District	<b>West County Wastewater District</b>
<b>El Dorado Hills County Water District</b>	Monterey Bay Unified Air Pollution Control District	Rancho Cucamonga Fire Protection Department	Western Riverside Council of Governments
Estero Municipal Improvement District	Monterey County Mosquito Abatement District	Redwood Empire Municipal Insurance Fund (REMF)	Yolo-Solano Air Quality Management District
Fallbrook Public Utility District	<b>Monterey One Water</b>	Regional Housing Authority	<b>Yorba Linda Water District</b>
Feather River Qir Quality Management District	Moraga-Orinda Fire Protection District	Sacramento Area Flood Control Agency	<b>Zone 7 Water District</b>
Fort Mojave Mesa Fire District	Municipal Pooling Authority	San Eljo Joint Powers Authority	
Golder Ranch Fire District	<b>Municipal Water District of Orange County</b>	San Mateo Mosquito & Vector Control District	

# WHY PREFUND PENSION OBLIGATIONS?

## 1. Complete Local Control over Assets

Agency has complete control over assets, including contributions, disbursements and the timing, amount, and risk tolerance level of investments

## 2. Pension Rate Smoothing Tool

Assets can be transferred to the retirement system at the Agency's direction, potentially reducing/eliminating large fluctuations in employer contribution amounts

## 3. Rainy Day Fund

Emergency source of funds when employer revenues are strained in difficult budgetary or economic times

## 4. Diversification

Allows for investment flexibility and offers the potential for assets to earn greater returns than the general fund; spread the risk vs. sending additional money to CalPERS

# INVESTMENT PERFORMANCE SHEETS

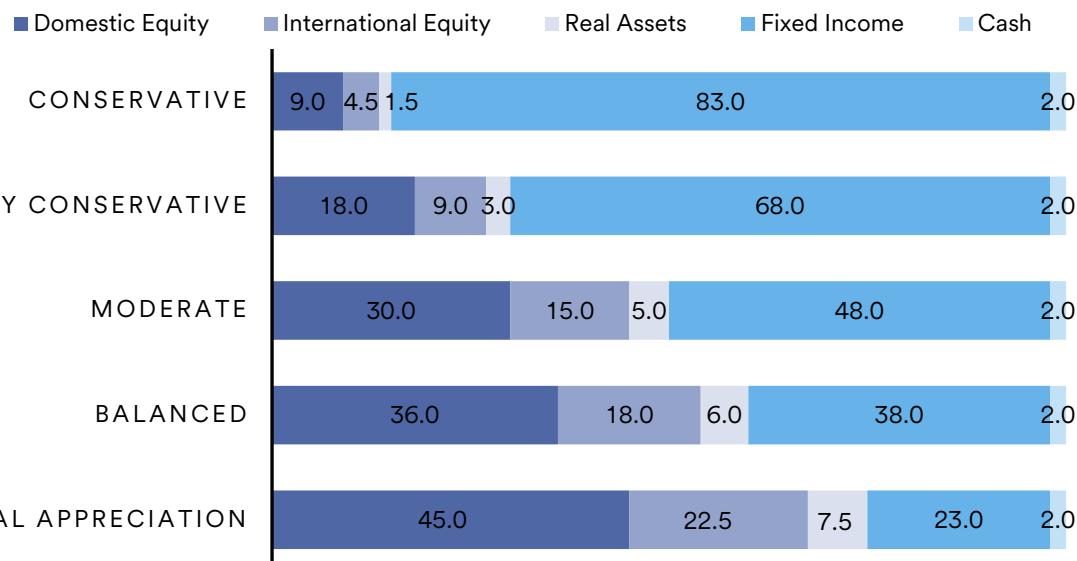
## PARS OPEB Trust Program

Strategy	Asset Class	Strategic Range	Policy	Tactical	Gross Annualized Total Rate of Return						
					Portfolio	3Q25*	YTD	1-Yr	3-Yr	5-Yr	10-Yr
<b>Conservative</b>	Equity	5-20%	15%	15%	Strategic Blend	2.78	7.61	5.05	7.94	2.64	3.80
	Fixed Income	60-95%	83%	83%	Benchmark	2.82	7.05	5.36	7.50	2.64	3.66
	Cash	0-20%	2%	2%							
<b>Moderately Conservative</b>	Equity	20-40%	30%	30%	Strategic Blend	3.51	8.94	6.74	10.11	4.49	5.31
	Fixed Income	50-80%	68%	68%	Index	3.62	9.16	7.24	10.18	4.47	5.12
	Cash	0-20%	2%	2%	Benchmark	3.60	8.51	6.84	9.92	4.49	5.27
<b>Moderate</b>	Equity	40-60%	50%	50%	Strategic Blend	4.37	10.55	8.85	13.10	7.12	7.34
	Fixed Income	40-60%	48%	48%	Index	4.65	11.13	9.92	13.03	7.08	7.20
	Cash	0-20%	2%	2%	Benchmark	4.64	10.18	9.01	13.17	7.27	7.44
<b>Balanced</b>	Equity	50-70%	60%	60%	Strategic Blend	4.85	11.36	9.94	14.71	8.50	8.37
	Fixed Income	30-50%	38%	38%	Index	5.14	11.83	11.01	14.77	8.55	8.24
	Cash	0-20%	2%	2%	Benchmark	5.17	11.04	10.08	14.80	8.62	8.50
<b>Capital Appreciation</b>	Equity	65-85%	75%	75%	Index	5.87	13.43	12.99	17.01	10.33	9.56
	Fixed Income	10-30%	23%	23%							
	Cash	0-20%	2%	2%							

\*Returns for periods under one year are not annualized. Returns are gross of investment management fees and net of fund embedded fees.

Please see important disclosures on the following page and your U.S. Bank fee schedule for investment management fees applied to your specific portfolio, as net of fee performance will differ.

Gross Calendar Year Returns											
Strategy	Portfolio	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
<b>Conservative</b>	Strategic Blend	4.45	9.04	-12.54	2.20	8.82	10.70	-1.34	6.73	3.86	0.44
	Blended Benchmark	4.77	7.82	-10.59	2.24	7.81	10.12	-0.60	5.25	3.92	0.30
<b>Moderately Conservative</b>	Strategic Blend	6.53	11.15	-13.58	5.12	10.70	13.82	-2.32	9.53	4.89	0.32
	Index	6.82	10.69	-12.96	5.48	9.61	12.92	-2.35	8.15	5.25	-0.16
	Blended Benchmark	6.79	10.29	-12.35	5.50	9.89	13.55	-1.87	8.13	5.45	0.13
<b>Moderate</b>	Strategic Blend	9.64	14.08	-14.72	9.19	13.28	17.84	-4.16	13.54	6.19	0.20
	Index	9.83	12.93	-14.13	10.23	11.45	17.58	-4.06	11.62	7.16	-0.49
	Blended Benchmark	10.03	13.56	-13.74	10.21	12.02	17.66	-3.37	11.66	7.41	-0.12
<b>Balanced</b>	Strategic Blend	10.98	15.95	-15.21	11.52	13.60	20.13	-4.73	15.63	6.69	0.07
	Index	12.01	14.46	-14.82	12.65	11.80	19.58	-4.88	13.32	8.29	-0.72
	Blended Benchmark	11.61	15.19	-14.58	12.54	13.07	19.78	-4.18	13.54	8.39	-0.30
<b>Capital Appreciation</b>	Index	13.93	16.47	-15.88	15.30	12.82	22.45	-6.34	16.04	9.50	-0.26
	Blended Benchmark	13.82	17.60	-15.64	15.93	14.37	22.81	-5.53	16.57	9.59	-0.62



#### Strategic Blend -

**Holdings:** Portfolios are invested in a strategic mix of actively managed and passive index-based investment vehicles.

Baird Aggregate Bond Fund  
 Cohen & Steers Institutional Realty Fund  
 Columbia Contrarian Core Fund  
 Columbia Small Cap Growth Fund  
 Dodge Cox Income Fund  
 Emerald Growth Fund  
 Fidelity International Index Fund  
 First American Government Obligations Fund  
 Goldman Sachs GQG International Opportunities Fund  
 Fidelity Emerging Markets Index Fund  
 iShares Core U.S. Aggregate ETF  
 Lazard Global Infrastructure

NYLI CBRE Global Infrastructure Fund  
 NYLI MacKay High Yield Corporate Bond Fund  
 MFS International Growth Fund  
 PGIM Total Return Bond Fund  
 Putnam Core Equity Fund  
 Schwab US Large CAP ETF  
 Undiscovered Managers Behavioral Fund  
 Voya Intermediate Bond Fund

#### Index - Holdings:

Portfolios are invested in passive index-based investment vehicles.

Fidelity Total Stock Market Index Fund  
 First American Government Obligations Fund  
 iShares Core MSCI Total International Stock ETF  
 iShares Core US Aggregate Bond ETF  
 iShares Global Infrastructure ETF  
 SPDR High Yield Bond ETF

Vanguard Real Estate ETF

*For illustrative purposes only and subject to change at PFMAM's discretion. Individual portfolio allocations and holdings will vary based on many factors, including each portfolio's specific investment policy and market conditions.*

#### Benchmark Definitions

		Conservative	Moderately Conservative	Moderate	Balanced	Capital Appreciation
7/1/2025 - Current:	Russell 3000 Index	9.00%	18.00%	30.00%	36.00%	45.00%
	MSCI AC World ex USA (Net)	4.50%	9.00%	15.00%	18.00%	22.50%
	MSCI US REIT Index	0.75%	1.50%	2.50%	3.00%	3.75%
	MSCI World Core Infra Index (Net)	0.75%	1.50%	2.50%	3.00%	3.75%
	Blmbg. U.S. Aggregate	76.50%	62.50%	44.25%	35.00%	21.25%
	ICE BofA US High Yield Index	6.50%	5.50%	3.75%	3.00%	1.75%
	ICE BofA 3 Month U.S. T-Bill	2.00%	2.00%	2.00%	2.00%	2.00%



### Historical Benchmark Definitions

		Conservative	Moderately Conservative	Moderate	Balanced		Capital Appreciation
10/1/2012 - 6/30/2025:	S&P 500	7.50%	15.50%	26.50%	32.00%	Since Inception:	39.50%
	Russell Mid Cap	1.50%	3.00%	5.00%	6.00%		16.00%
	Russell 2000	2.50%	4.50%	7.50%	9.00%		10.50%
	Wilshire REIT	0.50%	1.00%	1.75%	2.00%		10.25%
	MSCI EM Free (Net USD)	1.00%	2.00%	3.25%	4.00%		7.50%
	MSCI EAFE (Net USD)	2.00%	4.00%	6.00%	7.00%		5.25%
	Bloomberg US Aggregate Bond	52.25%	49.25%	33.50%	27.00%		5.00%
	ICE BofA 1-3 Yr US Corp/Govt	25.75%	14.00%	10.00%	6.75%		3.00%
	ICE BofA US High Yield Master II	2.00%	1.75%	1.50%	1.25%		2.00%
	FTSE 1 Month T-Bill	5.00%	5.00%	5.00%	5.00%		1.00%

### About the Adviser: PFM Asset Management (PFMAM)

PFM Asset Management is the division of U.S. Bancorp Asset Management, Inc. that provides investment services to the public sector. We have more than 40 years of experience working with public sector clients. Our solutions include local government investment pools (LGIPs), fixed income strategies, outsourced chief investment officer (OCIO), and other specialized solutions.

*Gross returns are time weighted and are calculated based on trade-date accounting. Actual returns for each agency's participation within the portfolio may vary from returns shown based on each agency's own cash flows as well as the specific portfolio in which they are invested. The advisor to the PARS portfolios is U.S. Bank N.A., and PFM Asset Management, a division of U.S. Bancorp Asset Management, Inc., serves as sub-advisor to U.S. Bank N.A. to manage these portfolios.*

*PFM Asset Management serves clients in the public sector and is a division of U.S. Bancorp Asset Management, Inc., which is the legal entity providing investment advisory services. U.S. Bancorp Asset Management, Inc. is a registered investment adviser, a direct subsidiary of U.S. Bank N.A. and an indirect subsidiary of U.S. Bancorp. U.S. Bank N.A. is not responsible for and does not guarantee the products, services, or performance of U.S. Bancorp Asset Management, Inc.*

*U.S. Bank N.A. pays PFMAM up to 67% of the annual management fee for assets sub-advised by PFMAM under its sub-advisory agreement with U.S. Bank N.A. Refer to your U.S. Bank N.A. fee schedule for investment management fees applied to your specific portfolio. U.S. Bank N.A. compensates PFMAM for these services from its own fees.*

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# Disclosures

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*Public Agency Retirement Services (“PARS”) is a third-party and not affiliated with PFMAM, USBAM or U.S. Bank. PARS serves as the trust administrator to the Public Agencies Post-Employment Benefits Trust, Public Agencies Post-Retirement Health Care Plan Trust, and the Public Agency Retirement System Trust (the “Trusts”). U.S. Bank N.A. serves as the discretionary trustee to the Trusts. In its capacity as discretionary trustee, U.S. Bank N.A. delegates the investment management of the Trusts to its affiliate USBAM through a sub-advisory agreement. PARS is serviced by PFMAM, a division of USBAM.*

*U.S. Bank N.A. pays the sub-adviser up to 67% of the annual management fee for assets sub-advised under its sub-advisory agreement with U.S. Bank N.A. Refer to your U.S. Bank N.A. fee schedule for investment management fees applied to your specific portfolio. U.S. Bank N.A. compensates the sub-adviser for these services from its own fees.*

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# Additional Disclosures

*Assets under management as of 6/30/2024 represent the assets managed by PFM asset Management LLC (PFMAM). As of 10/1/2024 PFMAM and U.S. Bancorp Asset Management, Inc. (USBAM) formerly separately registered investment advisers consolidated into one legal entity and one registered investment adviser with the SEC, with USBAM as the continuing legal entity and registered investment adviser.*

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# Agenda Item

9

Finance Committee Meeting

Meeting Date: January 20, 2026

**TO:** Finance Committee  
**FROM:** Amber Boone, General Manager  
**STAFF CONTACT:** Jack Beck, Accountant  
**SUBJECT:** PC15 Special Fund Discussion

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## Summary/Discussion

SOCWA is retaining received funds from the Moulton Niguel Water District (MNWD) for the asset transfer of the Regional Treatment Plant. These monies are retained in SOCWA's LAIF account. SOCWA staff is seeking a recommendation to bring to the PC15 Member Agencies on where the agencies would like to retain the funds. SOCWA has received two of the three installments as per the Transfer Price MOU on the successive anniversaries of the reorganization agreement signing.

**Recommended Action:** Committee Discussion, Direction, or Action

# Agenda Item

10

<b>Budgeted:</b> N/A
<b>Legal Counsel Review:</b> Yes
<b>Meeting Date:</b> January 20, 2026

**TO:** Finance Committee  
**FROM:** Amber Boone, General Manager  
**SUBJECT:** Engineering Capital Overrun Procedure Draft

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## Summary

SOCWA has not historically had a procedure for deviance from an engineering cost estimate vs. actual construction costs. The intent of this agenda item is to receive input from member agencies on procedures which may include potential thresholds for triggering an additional review by the Finance Committee prior to recommendation to the SOCWA Board of Directors. This procedure would be considered for inclusion in the SOCWA Financial Manual.

**Recommended Action:** Committee Discussion, Direction, or Action

# Agenda Item

11

<b>Budgeted:</b> N/A
<b>Legal Counsel Review:</b> Yes
<b>Meeting Date:</b> January 20, 2026

**TO:** Finance Committee  
**FROM:** Amber Boone, General Manager  
**SUBJECT:** Cost Allocation Policy

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## Summary

At the January 8, 2026, Board meeting, SOCWA staff brought the updated Cost Allocation Policy for review. The SOCWA Board requested an update to the Cost Allocation Policy related to the Public Relations expense language. Additionally, the FY 24-25 Annual Financial Audit's Management letter recommended the following: "While we understand the Authority's intent to reduce administrative costs and eliminate any unnecessary allocation steps, if the Authority intends not to allocate the balance sheet items noted above, the Cost Allocation Policy should be revised to make that point clear and to explain why that is the case. The Policy should also address how the associated expense for these liabilities is to be accounted for."

The attached Cost Allocation Policy provides the updates requested at the January 8, 2026, Board meeting, and seeks directions to work with the Finance Committee to revise the Cost Allocation Policy language on allocation to the general ledger as recommended by the annual financial audit.

**Recommended Action:** Committee Discussion, Direction, or Action

**Attachment:** Draft Cost Allocation Policy

# Cost Allocation Policy

## Purpose

This policy establishes the methodology for allocating costs associated with the operation, maintenance, administration, and unfunded liabilities of the South Orange County Wastewater Authority (SOCWA). It ensures fair, transparent, and consistent distribution of costs among member agencies and project committees and shall govern the allocation of costs reflected in SOCWA's Budgets, including costs related to administration, operation, and maintenance, capital projects, information technology, fringe benefits, Unfunded Accrued Liabilities (UAL), and Other Post-Employment Benefits (OPEB).

## Budget Components

SOCWA's budget consists of four principal components outlined below.

1. **Capital Improvement Plan (CIP) Budget** – The CIP Plan is a multi-year plan outlining SOCWA's planned investments in public facilities and infrastructure, and more specifically, the financing, location, and timing of capital improvement projects. The CIP Budget is created with input from the Engineering Committee. The CIP Budget includes maintenance costs not directly related to use of the Project facilities, including necessary capital improvements, repairs, adjustments, replacements, and extraordinary or standby maintenance, and incidental accounting and administrative costs in connection therewith. Any change to the cost allocation methodology for the CIP Budget set forth in this Policy must be made by the unanimous consent of all the SOCWA Board of Directors in accordance with Section 6.3.1 of the SOCWA Joint Powers Agreement.
2. **Operations and Maintenance (O&M) Budgets** – Operations and maintenance budgets are prepared for each Project operated and maintained by SOCWA and approved at or prior to each June meeting of the Board for the ensuing Fiscal Year. Operations and maintenance costs directly related to the use of the Project facilities, including necessary improvements, repairs, adjustments, and replacement costs in connection therewith, are paid by each Member Agency using the Project facilities in proportion to its use, consistent with Section 6.3.1 of the SOCWA Joint Powers Agreement. The O&M Budgets include (a) the estimated expenses of operating the Project; (b) the estimated expenses of maintaining the Project, (c) an estimate of income from operations, if any; and (d) the allocation of operation and maintenance expenses among the Member Agencies in each particular Project Committee (the "Participating Member Agencies") in accordance with the formulas set forth in this Policy. O&M Budgets must be approved by a two-thirds (2/3) vote of the Participating Directors in that Project in accordance with Section 6.3 of the SOCWA Joint Powers Agreement. The O&M Budget includes two departments:
  - o Department 01: Operations and Maintenance
  - o Department 02: Environmental Services

3. **Administration Budget:** The Administrative Budget contains the administrative and incidental accounting costs arising specifically from the operations and maintenance of the Project facilities, as well as the allocation among the Member Agencies of the amounts necessary to cover the Administrative Budget expenditures. Because the Administrative Budget is a Project; the O&M costs for a Project, the Administrative Budget also must be approved by a two-thirds (2/3) vote of the Participating Directors in that Project in accordance with Section 6.3 of the SOCWA Joint Powers Agreement. The Administration Budget includes the following:
  - o Department 03: Engineering. Greater than 60% of non-labor expenses (residual engineering) in this department are administrative in nature, which were combined with administrative expenses. Engineering labor is billed directly to Capital projects in the CIP Budget with minimal time billed to administration.
  - o Department 04: Administration. Includes administration and incidental accounting costs arising specifically from the operations and maintenance of the Project facilities.
  - o Department 05: Information Technology - Expenses are budgeted as direct costs where technology services or equipment are needed at SOCWA facilities or as indirect costs based on the IT pool of expenses. Department 05 expenses are distributed to all project committees and departments based on the "where labor worked" methodology.
4. **General Fund Budget:** The General Fund Budget includes the general administrative expenses of SOCWA and the allocation among the Member Agencies of the amounts necessary to cover the General Budget expenditure. The General Fund Budget is allocated evenly among the six participating Member Agencies. If the General Fund Budget provides an allocation to the Member Agencies on some basis other than equal amounts, the General Fund Budget must be approved by the unanimous consent of all the Member Agencies in accordance with Section 6.1 of the SOCWA Joint Powers Agreement. Certain expenses are split between the General Fund Budget and the Administrative Budget.". Items included in the General Fund Budget include portions of the following categories, as allocated in Table 1 and described below Table 1 for clarity.

Please note that the percentages in Table 1 are the General Fund percentage allocations, and the remaining percentage allocations for each category of expense are allocated entirely to the Administration Budget. For example, Regular Salaries of the General Manager shall be split 50% into the General Fund (allocated equally to the SOCWA member agencies) and 50% into the Administration budget, which is allocated based on where labor worked, following O&M expenses.

**Table 1: General Fund Expenses and Percentage Allocations**

<b>General Fund Allocation</b>	
<b>Salary and Fringe</b>	
Regular Salaries-Admin	50% (General Manager)
Assistant Clerk	50%
Comp Time - Admin	50%
<b>Other Expenses</b>	
Car Allowance (General Manager)	50%
Public Notices	100%
<u>Public Relations</u>	<u>Board Member Agency-Directed</u>
Contract Labor/Part-Time Labor	25%
Audit	100%
Legal Fees	40%
Memberships, Conferences, Training, and Travel	75%
Small Purchases and Consumables	5%
IT Allocations into PC's & Depts.	5%

**Definitions of the General Fund:**

**Audit:** Annual audit shall be filed with the State Controller, Orange County Auditor and each Member Agency within six (6) months of the end of the Fiscal Year under examination. All costs associated with this requirement shall be included in this category.

**Car Allowance:** Monthly allowance for vehicle expense per the General Manager's contract.

Contract Labor/Part-Time Labor: Board approved budget for this additional work as needed.

General Fund: Also known as the General Budget as described in the SOCWA: "(i) "General Budget" means the approved budget applicable to the expenses of administration of the Authority."

IT Allocations into PC's & Depts: IT allocations follow O&M labor.

Legal: For matters related to conducting Board-related business for labor and general counsels.

Public Notices/Public Relations: Expenses incurred related to any public relations-notices required for the business of the Authority.

Public Relations: Expenses incurred to support Public Relations efforts based on Board-directed or Member Agency requests. Public Relations expenses -and may be funded or co-funded through respective Member Agency partnerships. Public Relations expenses shall be allocated on a case-by-case basis at the direction of the SOCWA Board. Public Relations expenses shall first be presented to the SOCWA Board for discussion regarding whether the expense, or a portion of the expense, belongs in the General Budget, or whether the expense should be subject to a different allocation. Upon the unanimous vote of the SOCWA Board, a Public Relations expense may be added to the General Budget (and thereby allocated evenly among the six participating Member Agencies) or allocated on some basis other than equal amounts among all Member Agencies. If there is not unanimous consent regarding the proposed allocation by the SOCWA Board, then that Public Relations expense may be funded by one or more Project Committees, or by two or more Member Agencies, subject to the unanimous consent of the Participating Directors representing the Member Agencies that will fund the expense.

Regular Salaries-Admin: Regular salary of the SOCWA General Manager

Small Purchases and Consumables: Small tools and supplies, subscriptions, postage, office supplies in admin, miscellaneous, and shipping/freight that support Board-related business.

## 5. Other Budget Components:

- UAL - "UAL" is an abbreviation for Unfunded Actuarial Liability, which is the gap between a pension plan's total obligations to employees and the assets it has on hand to pay for those benefits. This liability represents the portion of accumulated benefits that an organization is committed to paying but for which it has not yet set aside sufficient funding. For example, in the UAL calculation for a public agency, the UAL represents the amount of promised benefits that is greater than the plan's assets.
- OPEB - An OPEB liability is an accounting term for the financial obligation an employer has to pay for Other Postemployment Benefits (OPEB) provided to its retired employees and their beneficiaries. These benefits are non-pension benefits earned during an employee's service period but paid after employment has ended.

## **Cost Allocations**

The following sections provide the allocations by each component outlined above.

### **Engineering Allocations**

Capital costs are considered projects that maintain the SOCWA facilities and follow Section 6.3.1 of the SOCWA JPA agreement, which states that capital costs “shall be paid by the Participating Member Agencies in proportion to their respective percentage share of the ownership of capacity in said Project facilities.” The December 2024 reorganization agreements contain the most current cost allocations for capital projects and are utilized in the budget creation.

The capital portion of the O&M Budget is presented to the SOCWA Board’s Engineering Committee for review, comment, and incorporation by consensus of each project committee member.

### **Administrative Cost Allocation**

Administrative costs follow Section 6.2 of the SOCWA JPA agreement. The methodology divides costs per agency by the total Operations and Maintenance budget (Departments 01 & 02) without including Admin, UAL, or OPEB costs. This ensures administrative costs remain proportional to services received, as identified in the annual budget. Any changes to this methodology require unanimous consent from all Participating Member Agencies per Section 6.3.1 of the SOCWA JPA.

### **Fringe Benefit Allocation**

SOCWA utilizes a fringe benefit pool methodology that is applied to salaries with a utilization rate. The fringe benefit pool encompasses costs for accrued leave, group insurance, PERS Normal Costs, and other paid benefits. The utilization rate is the pay-for-time-worked rate based on the number of hours on leave divided by the total number of hours available to work. SOCWA plans to transition from the fringe pool method to an actual cost allocation approach to better accommodate labor changes throughout the fiscal year.

### **Information Technology Allocation**

IT costs are distributed using a labor-based ("where labor worked") allocation methodology, distinguishing between:

- Direct costs: Technology services or equipment needed at specific SOCWA facilities.
- Indirect costs: Distributed across project committees and departments based on labor allocation.

### **Unfunded Liabilities Allocation**

The allocation of Unfunded Accrued Liability (UAL) requires annual payments based on actuarial distributions. Distribution adheres to a proportional methodology based on labor services received by each Member Agency and is updated by an actuarial firm, when necessary, to account for structural changes at the agency. Employer retirement costs are allocated according to labor distribution and agency participation levels, reviewed and updated periodically by an outside consulting firm. Certain agencies (referred to as Contract Agencies as defined herein) are

contractually obligated to cover certain UAL and OPEB costs based on terms set forth in individual agreements, such as withdrawal or continuing services agreements.

## **Contracted Services Allocations**

SOCWA may contract from time to time with partners to provide those partners with certain specialty services, such as recycled water permitting, permitting compliance services (such as NPDES and master recycled water permits), pretreatment program services, and/or laboratory services using the same general facilities and standard of care as provided to SOCWA's Member Agencies. Generally, SOCWA provides these services and invoices for the contracted partners, such as the Trabuco Canyon Water District and the Moulton Niguel Water District, on a quarterly or annual basis for actual costs, plus reasonable administration and overhead costs, which are calculated proportionately based on the same overhead and administration methodology used for Member Agencies.

De minimis contracts that provide revenue sources of under \$100k annually will have a flat overhead and administration rate, which will be set and reviewed annually, and these revenues will be used to offset costs associated with the specific Project Committee applicable to the service provided, if applicable, and shall be reconciled and credited as appropriate during the use audit process.

SOCWA will defer to agreed-upon contract language from previous member agencies negotiated as part of subsequent withdrawal agreements related to unfunded public system liability while agencies were members of the Authority.

SOCWA will provide notice to each contracted services partner no later than March 1 each year to determine whether they desire to continue using SOCWA's services for the following fiscal year, to determine inclusion in the budget, where and as applicable.

## **Project Committee Allocation**

SOCWA operates through a series of Project Committees (PCs), each with specific operational responsibilities and Participating Member Agencies. The Project Committee costs are inclusive of facility usage, operational needs, special studies determined by Engineering or Finance Committees, permit requirements, regulatory drivers, labor, and utility operational costs. Specific allocation methodologies vary by Project Committee. SOCWA will utilize the capacity ownership amounts set forth in the December 2024 Reorganization Agreements as normal budgeted costs and resolve the usage in the Use Audit process.

Table 2 sets forth the current SOCWA Project Committees, Member Agencies, and Contract Agencies. "Contract Agencies" are agencies that have contracted capacity through other SOCWA Member Agencies and/or otherwise receive services through contracts directly with SOCWA.

**Table 2: SOCWA Project Committee Participating Member Agencies and Contract Agencies**

Project Committee	Description	SOCWA Participating Member Agencies	Contract Agencies
PC 2	JB Latham WWTP	SCWD, SMWD	MNWD
PC 5	San Juan Creek Ocean Outfall (SJCOO)	CSC, SCWD, MNWD, SMWD	MNWD
PC 8	Pre-Treatment Program	CLB, CSC, EBSD, ETWD, SCWD, SMWD	IRWD, MNWD
PC 12	Recycled Water Permit	SCWD, SMWD	MNWD, TCWD
PC 15	Coastal WWTP	CLB, EBSD, SCWD	N/A
PC 21	Effluent Transmission Main (ETM)	ETWD	IRWD, MNWD
PC23	North Coast Interceptor (NCI)	CLB, EBSD	N/A
PC 24	Aliso Creek Ocean Outfall (ACOO)	CLB, EBSD, ETWD, SCWD	IRWD, MNWD

**Agency Abbreviations:**

- CLB: City of Laguna Beach
- CSC: City of San Clemente
- EBSD: Emerald Bay Service District
- ETWD: El Toro Water District
- IRWD: Irvine Ranch Water District (a Contract Agency, not a Member of SOCWA)
- MNWD: Moulton Niguel Water District (a Contract Agency, not a Member Agency of SOCWA)
- SCWD: South Coast Water District
- SMWD: Santa Margarita Water District
- TCWD: Trabuco Canyon Water District (a Contract Agency, not a Member Agency of SOCWA)

**PC 2 (JB Latham WWTP)**

PC 2 O&M costs are budgeted and allocated based on the capacity rights specified in the Assignment and Assumption Agreement (PC 2) (Agreement No.5/Agreement #7 to PC 2, effective December 12, 2024), as outlined in Table 3. Please note that, based on the agreement, *MNWD costs are combined with SCWD costs, effective December 12, 2024: 'MNWD's 23.08% liquids treatment capacity allocation in (and effluent from) the JB Latham*

Treatment Plant, totaling 3.00 mgd; and (ii) MNWD's 21.62% solids treatment capacity allocation in the JB Latham Treatment Plant, totaling 8,340 lbs/day ((i))".

**Table 3: PC 2 Capacity Summary (Owned and Operated by SOCWA)**

PC 2 - SOCWA JBL Capacity Summary (Owned and Operated by SOCWA)					
Agency	Liquids (mgd)	Solids (mgd) (1)	Solids (lbs)(1)	Common-S (%)	Common - L (%)
SCWD	6.75	7.70	16055	41.62%	51.92%
SMWD	6.25	10.80	22518	58.38%	48.08%
Total	13.00	18.50	38573	100%	100%

#### **PC 5 (San Juan Creek Ocean Outfall)**

PC 5 O&M costs are budgeted and allocated based on the hydraulic capacity ownership amounts set forth in the Assignment and Assumption Agreement (Agreement No.6, effective December 12, 2024) and represent fixed costs as noted in Table 4. Please note that, based on the agreement, *MNWD costs are combined with SMWD costs effective December 12, 2024*: "MNWD hereby permanently assigns to (a) SMWD and SMWD hereby accepts 59% of MNWD's assigned Outfall Capacity, and (b) SCWD and SCWD hereby accepts 41% of MNWD's Assigned Outfall Capacity and 100% of MNWD's Assigned Pumping Capacity."

**Table 4: PC 5 - SOCWA San Juan Creek Ocean Outfall Capacity Summary (Owned and Operated by SOCWA)**

Agency	Ownership (%)	Hydraulic Capacity (mgd)
CSC	16.620%	13.296
SCWD	18.829%	15.063
SMWD	64.551%	51.64
Total	100.000%	80.00

#### **PC 8 (Pretreatment Costs)**

PC 8 costs remain in the budget with direct costs billed to Contract Agencies based on where labor worked.

## **PC 12 (Water Reclamation Permits)**

The PC 12 costs are volume based (recycled water produced) and are allocated by Agency in the following manner.

- MNWD: The amount of reclaimed water produced from the Regional Treatment Plant (RTP) and the 3A Treatment Plant (split with SMWD).
- South Coast Water District (SCWD): The total reclaimed water produced from the Coastal Treatment Plant (CTP).
- Santa Margarita Water District (SMWD): The combined sum of reclaimed water produced from the Oso Creek Water Reclamation Plant (OCWRP), the Chiquita Water Reclamation Plant (CWRP), and the Nichols Water Reclamation Plant (NWRP), the acre-foot sum of the Rosembaum well, the Mission Street Well, and the total reclaimed water from the SMWD/CSJC intertie.
- Trabuco Canyon Water District (TCWD): Reclaimed water produced from the Robinson Ranch Water Reclamation Plant (RRWRP).

## **PC 15 (Coastal Treatment Plant) Allocation**

PC 15 O&M costs are budgeted and allocated according to the Liquids, AWT, and Common capacity amounts set forth December 12, 2024, Coastal Treatment Plant Capacity Rights Transfer Agreement (Agreement No.3MNWD Capacity Rights in Project Committee 15), as noted in Table 5.

**Table 5: PC 15 - Coastal Treatment Plant Capacity Summary (CTP Owned and Operated by SOCWA: AWT is owned by SCWD but operated by SOCWA)**

Agencies	Liquids (mgd)	AWT (%)	Common (%)
CLB	3.64	0	54.30%
EBSL	0.2	0	3.00%
SCWD	2.86	100	42.70%
Total	6.7	100	100.00%

## **PC 21 (Effluent Transmission Main) Costs**

PC 21 O&M costs are budgeted and allocated according to hydraulic capacity ownership as set forth in the Assignment and Assumption Agreement (Agreement No.7, effective December 12, 2024) (Project Committees 21 and 24) as noted in Table 6. Please note that *IRWD costs are combined with ETWD costs, effective July 1, 2023, with 50% capacity rights to IRWD and 50% capacity rights to ETWD for ETM reach B/C/D, and IRWD and MNWD costs are combined with ETWD costs, effective December 12, 2024, with 23.29% allocated to ETWD, 23.29% allocated to IRWD, and 53.43% allocated to MNWD for Reach E.*

**Table 6: PC 21 - Effluent Transmission Main (ETM) Capacity Summary Reach B/C/D/E (Owned and Maintained by SOCWA)**

Agency	Hydraulic Capacity	Ownership Percentage (%)
ETWD - B/C/D	15	100%
ETWD - E	32.2	100%

### **PC 23 North Coast Interceptor Costs**

PC 23 O&M costs are budgeted and allocated according to hydraulic capacity ownership as set forth in the November 22, 2006, Amendment No. 3 to the Agreement for Design, Construction, Use, Operation, Maintenance, Repair, and Replacement of Phase I North Coastal Interceptor Sewer Pipeline and Pumping Stations for AWMA for and on Behalf of PC No. 7-A as noted in Table 7.

**Table 7: PC23 North Coast Interceptor**

Agency	Capacity Ownership Percentage (%)
CLB	95.88
EBSID	4.12

### **PC 24 (Aliso Creek Ocean Outfall) Costs**

PC 24 O&M costs are budgeted and allocated according to hydraulic capacity ownership as set forth in the December 12, 2024, Assignment and Assumption Agreement (Agreement No.7) (Project Committees 21 and 24) as noted in Table 8. As noted in the Agreement: *“Note MNWD costs are combined with ETWD costs, effective December 12, 2024. Assignment and Acceptance of MNWD’s Assigned Capacity and Rights and Obligations. MNWD hereby permanently assigns to ETWD, and ETWD hereby accepts from MNWD, (1) MNWD’s 53.42% capacity allocation in Reach E of the Effluent Transmission Main; (2) MNWD’s 43.848% capacity allocation in the ACO Outfall ((1) and (2) are collectively referred to herein as “MNWD’s Assigned Capacity”). Note that IRWD transferred capacity rights to ETWD effective July 1, 2023 via an Assignment and Assumption Agreement.*

**Table 8: PC 24 - Aliso Creek Ocean Outfall (ACOO) Capacity Summary (Owned and Operated by SOCWA)**

Agency	Hydraulic Capacity (mgd)	Ownership Percent (%)
CLB	5.500	11.00%
EBSB	0.390	0.78%
ETWD	37.955	75.91%
SCWD	6.155	12.31%
Total	50.000	100.00%

### **Cost Allocation Principles for SOCWA Wastewater Treatment Facilities**

The following principles guide SOCWA's cost allocation methodologies and are applicable to PC 2 & PC 15. The other PCs have fixed cost distribution (PC 5 & PC 24), and are based on production (PC 12), or labor allocation (PC 8). Additional allocation categories are described below.

#### **Treatment Plant Cost Allocation Categories**

1. Process-Based Allocation: Costs are allocated based on operational processes (Liquids, Solids, Common, AWT).
2. Facility-Specific Considerations: Each facility has a unique allocation structure reflecting its operational characteristics.
3. Direct vs. Shared Costs: Direct costs are allocated to specific processes; shared resources are allocated proportionally.
4. Labor Distribution: Based on actual time spent supporting each facility or project committee.
5. Utility-Specific Allocation: Based on metering data and operational requirements.
6. Chemical Usage Tracking: Based on actual usage by treatment process, resolved in the use audit.
7. Equipment-Based Allocation: Based on the primary function of equipment (solids, liquids, or common costs).

#### **PC 2 Cost Allocation Structure**

PC 2 operates with a four-way allocation system distributing costs among Liquids (55.1%), Solids (43.4%), Common/Liquids (0.8%), and common Solids (0.8%) treatment processes. This allocation structure applies to regular labor costs, benefits, and most operational expenditures. Notable variations include:

- Electricity: 65.0% Liquids, 25.0% Solids, 5.0% Common/Liquids, 5.0% Common/Solids

- Natural Gas: 65.0% Liquids, 25.0% Solids, 5.0% Common/Liquids, 5.0% Common/Solids
- Chlorine/Sodium Hypochlorite: 50.0% Liquids, 50.0% Solids
- Polymer Products: 100% Solids
- Ferric Chloride: 100% Liquids
- Other Chemicals: 54.0% Liquids, 46.0% Solids
- Non-Control Chemicals: 50.0% Common/Liquids, 50.0% Common/Solids
- Laboratory Services: 75.0% Liquids, 25.0% Solids
- Grit Hauling: 100% Solids
- Capital projects follow the ownership allocations, depending on the type of project, that are presented as the Common-L or Common-S.

### **PC15 Cost Allocation Structure**

PC 15 employs a different allocation structure than PC 2, with costs distributed among Liquids (55.4%), Common/Liquids (3.4%), and AWT (41.2%) treatment processes. This reflects the facility's distinct operational focus. Key allocation patterns include:

- Regular Salaries: 76.4% Liquids, 18.2% Common/Liquids, 5.4% AWT
- Overtime Salaries: 64.9% Liquids, 21.9% Common/Liquids, 13.2% AWT
- Electricity: 100% Liquids
- Natural Gas: 50.0% Liquids, 50.0% Common/Liquids
- Water: 90.0% Liquids, 10.0% AWT
- Chlorine/Sodium Hypochlorite: 100% Liquids
- Ferric Chloride: 100% Liquids
- Laboratory Supplies: 75.0% Liquids, 25.0% AWT
- Petroleum Products: 50.0% Liquids, 3.4% Common/Liquids, 41.2% AWT
- Uniforms: 55.4% Liquids, 3.4% Common/Liquids, 41.2% AWT
- Maintenance Equipment & Facilities (Liquids): 100% Liquids
- Maintenance Equipment & Facilities (Common): 100% Common/Liquids
- Maintenance Equipment & Facilities (AWT): 100% AWT
- Solids Pumping Costs (discussion item)
- Capital projects follow the ownership allocations, depending on the type of project, that are presented as Common or AWT

### **PC 5, 21, 23, and 24 Cost Allocation Structure**

All budgeted capital and O&M costs for PCs 5, 21, 23, and 24 are allocated based on the Member Agencies' ownership of hydraulic capacity of the pipelines.

### **Contract Agency Services**

SOCWA provides services for Contract Agencies through contractual agreements, such as laboratory and permitting services. The budget for these services is provided to the Contract Agencies by March of each year for approval of continuation of services.

### **Budget Allocations**

Once the total cost of providing staffing and services on behalf of MAs is completed by SOCWA staff and approved by the Board, the following standardized methodology allocates costs to

project committees (PCs) and ultimately rolled up to each SOCWA Member Agency. It ensures equitable distribution of operations and maintenance (O&M) expenses, administrative costs, general fund (GF) contributions, unfunded actuarial liability (UAL), and other post-employment benefits (OPEB) liabilities. All allocations shall be based on verifiable data sources, such as capacity rights, labor utilization, or flow percentages, and shall adhere to board-approved guidelines and reorganization agreements. SOCWA staff shall provide Member Agency staff with the raw data for the allocations and methodology employed with a statement of quality assurance in adherence with the allocation steps below with the annual SOCWA Budget.

The steps for cost allocation are as follows:

1. Allocation Based on Capacity Rights: Utilize established capacity rights to determine the proportional contribution per agency for each PC and MA.
2. Alternative Allocation Methods: In instances where capacity rights are unavailable, employ labor utilization metrics (e.g., “where employee worked”) or flow percentages to calculate the proportional utilization by each agency.
3. Calculation of MA Operating Cost Percentages: Determine the percentage that each MA's operating costs represent relative to the total O&M budgeted expenses. This calculation excludes administrative costs, GF contributions, UAL, and OPEB liabilities.
4. Determination of Administrative Costs per MA: Multiply the percentage derived in Step 3 for each MA by the draft budget amount to compute the total administrative cost attributable to that MA.
5. Computation of Administrative Cost Allocation Percentage: Divide the O&M cost per facility or service budget by the total MA budget to establish the administrative cost allocation percentage.
6. Allocation of General Fund: Calculate the percentage of costs based on Table 1, subtract that amount from the administrative costs and divide equally between the six member agencies.
7. Allocation of Administrative Costs per PC or Service: Multiply the percentage from Step 5 by the total administrative cost from Step 4 to allocate administrative costs to each PC or service.
8. Allocation of UAL and OPEB Liabilities: Use the admin cost allocation percentages per PC (that follows where labor worked) for the liability distribution of the UAL and OPEB. The total liability is the sum of the PCs that the MA is a member of based on UAL Methodology established by the SOCWA Board in 2018<sup>1</sup>.
9. Total Budget per Agency: Sum all allocated costs (including O&M, administrative, GF (if applicable), UAL, and OPEB) to derive the total budget attributable to each agency.

This procedure shall be reviewed as needed to incorporate any updates to board methodologies, reorganization agreements, or budgetary frameworks. All calculations must be documented and auditable, with supporting data retained as required by the SOCWA Records Retention Policy.

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<sup>1</sup> Actuaries Marilyn Jones of Nyhart and Mary Beth Redding of Bartel Associates provided the updated UAL methodology at the June 17, 2018 Finance Committee meeting. The Finance Committee recommended to use the methodology on August 29, 2018, further discussion at the September 19, 2018 Finance Committee meeting, final action to approve the methodology for use in the audited financial statements on October 4, 2018 by the Finance Committee. This methodology was used in the distribution of liability in FY 2017-2018 audited financials that was brought to the Board to receive and file at the December 6, 2018 SOCWA Board meeting. The SOCWA Board voted to receive and file the audited financial statements and approved the methodology in the approval of the FY 2017-18 Annual Use Audit.

## Use Audit Allocation

The Use Audit is completed by applying established flow allocation methodologies, circulated annually for review to SOCWA member agencies, which distribute costs among member agencies based on their proportional usage of treatment facilities. The process involves collecting actual flow data (measured in million gallons per day) and solids loading data (calculated from BOD and TSS measurements) for each Member Agency during the fiscal year, then comparing these actual values against budgeted amounts to determine each agency's percentage share of total system usage.

The allocation methodology varies by project committee - some use average flows over multiple years, others incorporate solids loading calculations, and some account for special agreements between agencies (like the 2018 MNWD-SMWD agreement for solids allocation). Once the actual usage percentages are calculated and compared to budgeted percentages, any differences result in either disbursement of funds to agencies that were overcharged or collection of additional funds from agencies that were undercharged, with the final results reviewed through the Engineering and Finance Committees and recommended to the SOCWA Board of Directors before implementation. Table 9 provides a summary of the Use Audit Methodology with PC descriptions below Table 9.

**Table 9: Use Audit Methodology Table**

Project Committee (PC)	Method	O & M Costs - Variable	O & M Costs - Fixed	Capital Costs
PC 2	Variable	Liquids-related costs are based on each agency's prior calendar year flows to prepare the budget. Solids-related costs are based on each agency's three (3) year prior pounds (BOD + TSS)/2 to prepare the budget. The Use Audit process utilizes the actual FY totals for Liquids and the actual FY solids, along with the two prior FY solids totals.	Common costs are allocated based on the average ownership of liquids and solids capacity percentages, or ((L% + S%)/2).	For facilities or equipment with a service life equal to or greater than 5 years, or a value in excess of \$1,000, costs are allocated on the basis of liquid treatment capacity ownership and/or solids treatment capacity ownership as may be applicable.
PC 5	Fixed	Allocated to PC members based on fixed ownership.	Allocated to PC members based on fixed ownership.	Allocated to PC members based on fixed ownership.
PC 8	Variable	Allocated based on percentage of staff time.	Shared equally among all member agencies.	Shared equally among all member agencies.

PC 12	Variable	Total costs are split 50/50 between fixed and variable. Allocated proportionally to each PC member based on non-potable water production and projections.	Total costs are split 50/50 between fixed and variable. Divided equally between each PC member. Insurance is allocated equally amongst the Participating Member Agencies.	Not applicable
PC 15	Variable	Liquids related costs are allocated based on the agency's prior calendar year's flows to prepare the budget. The Use Audit process uses the actual FY totals for Liquids. 100% of the AWT costs are attributed to SCWD.	Common costs are allocated to the PC members based on their liquids ownership allocations.	Plant Liquids and Common capital costs are allocated to the PC members based on their liquids ownership allocations. 100% of the AWT capital costs are allocated to SCWD.
PC 17 <sup>*</sup>	Variable	All costs are allocated to MNWD unless otherwise stated in the Budget/Use Audit.	All costs are allocated to MNWD unless otherwise stated in the Budget/Use Audit.	Any designated capital costs will be allocated to the Budget/Use Audit based on the accompanying agreement.
PC 21	Fixed	Not applicable.	Allocated to each PC member based on percentage of ownership.	Allocated to PC members based on percentage of ownership.
PC 23	Fixed	None or NA - All Costs are considered to be allocated using the Fixed method	All O&M Costs are allocated by ownership percentages per PC23 agreements (see Section 7 of the 11-4-1976 agreement).	All Capital O&M Costs are allocated by ownership percentages per PC23 agreements (see Section 7 of the 11-4-1976 agreement).
PC 24	Fixed	Allocated to PC members based on fixed ownership.	Allocated to PC members based on fixed ownership.	Allocated to PC members based on fixed ownership.

\*Included to complete the FY 24-25 Use Audit and will be no longer after the FY 24-25 Use Audit is completed.

The following provides the method for the Use Audit by PC:

**PC 2**

Member Agency average flows for the FY were used in the flow allocation and applied proportionally from the total combined flow from each tributary trunk line. The PC 2 uses FY flows and three-year FY average solid loadings to reconcile the budgeted amounts. Solids loadings are calculated from adding the average FY BOD and TSS and, dividing by 2, and then multiplying the result by the flow and the 8.34 pounds conversion factor. In March 2018, PC2 members Moulton Niguel Water District (MNWD) and Santa Margarita Water District (SMWD) came to an agreement on how to allocate solids for budgeting and use audit purposes. The new method captures the influent loading at Plant 3A, as it was recognized that this allocation would isolate MNWD's solids contributions to JBL to a single variable. SMWD solids to JBL would then be the balance of solids contributed by the Oso Creek Water Reclamation Plant, 3A, and any other discharges to the Oso Trabuco line to JBL.

**PC 5**

Fixed costs based on ownership capacity per Member Agency.

**PC 8**

Allocation is based on timecard (where labor worked).

**PC 12**

The PC 12 method of production is detailed by Member Agency in the following narrative. San Juan Capistrano is the acre-foot sum of the Rosembaum well, the Mission Street Well, and the total reclaimed water from the SMWD/CSJC intertie. For MNWD, it is the amount of reclaimed water produced from the Regional Treatment Plant (RTP) and the 3A Treatment Plant (split with SMWD). South Coast Water District (SCWD) is the total reclaimed water produced from the Coastal Treatment Plant (CTP). The Santa Margarita Water District (SMWD) is the combined sum of reclaimed water produced from the 3A Treatment Plant (split with MNWD), the Oso Creek Water Reclamation Plant (OCWRP), the Chiquita Water Reclamation Plant (CWRP), and the Nichols Water Reclamation Plant (NWRP). The Trabuco Canyon Water District (TCWD) is reclaimed water produced from the Robinson Ranch Water Reclamation Plant (RRWRP).

**PC 15**

Due to the lack of solids handling capacity at the Coastal Treatment Plant (CTP), allocation methodology is based on flows to the treatment plant. In addition, there are no current flow meters installed to account for any flow sent to CTP from MNWD, so no flow is being accounted for in this PC flow allocation methodology, unless for emergency use as needed through authorization by the PC15 members, with billing based on use, reconciled in the annual use audit. The City of Laguna Beach (CLB) is the average annual flow into CTP (metered). The Emerald Bay Services District (EBSD) is the average annual flow into CTP (calculated from monthly meter read from the

lift station divided by the days in the month). The South Coast Water District (SCWD) is the average annual flow into CTP (metered). The meter calibration is performed annually in June.

#### **PC 17**

The final use audit will be for FY 24-25 due to the reorganization agreements. The method is therefore included in this policy for memorialization.

PC 17 has liquid and solids contribution. The liquid flow allocation is based on influent flow to the plant. The influent flow is solely contributed by the MNWD. The export sludge line transports solids to RTP from CTP for further processing. The liquid flow from CTP's export sludge line is divided by five and distributed to each agency, then summed up to create a total liquid flow to RTP. The flows are then distributed on a proportional basis. The solids contribution is based on the total daily average pounds contributed by each agency distributed proportionally. The meter calibration is performed annually in June.

#### **PC 24**

Fixed costs based on ownership capacity per Member Agency.

#### **Review and Adjustment**

Budgeted administrative costs may be adjusted mid-year as necessary to ensure accurate cost allocation, with all adjustments promptly communicated to member agencies. This policy undergoes periodic review during the budget development process, allowing for modifications based on operational changes, financial circumstances, or evolving Member Agency needs. Changes to this policy may only be made by the unanimous consent of all the Participating Member Agencies as set forth in Section 6.3.1 of the SOCWA Joint Powers Agreement.

#### **Policy Approval and Adoption**

This Policy has been reviewed by the Authority Board of Directors and adopted by Resolution No. 2025-16 on December 11, 2025, superseding all previous versions.

# Agenda Item

12

Finance Committee Meeting

Meeting Date: January 20, 2026

**TO:** Finance Committee

**FROM:** Amber Boone, General Manager

**STAFF CONTACT:** Jack Beck, Accountant

**SUBJECT:** Financial Reports for the Month of December 2025

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## Summary/Discussion

The enclosed financial reports are provided to the Finance Committee for recommendation to the Board of Directors to receive and file the summary of the O&M Budget vs. Actual Expenses as of December 30, 2025:

	FY 2025-26 Budget	Actual	(Over)/Under Budget	% Expended
02 - Jay B. Latham Plant	8,616,077	4,110,813	4,505,264	47.7%
05 - San Juan Creek Ocean Outfall	944,588	514,093	430,495	54.4%
08 - Pre Treatment	289,662	114,639	175,023	39.6%
12 - Water Reclamation Permits	88,769	11,977	76,792	13.5%
15 - Coastal Treatment Plant	3,822,518	1,646,983	2,175,535	43.1%
17 - Joint Regional Wastewater Reclamation and Sludge Handling	568,217	289,993	278,224	51.0%
21 - Effluent Transmission Main	27,589	8,789	18,800	31.9%
23 - North Coast Interceptor	17,500	5,168	12,332	29.5%
24 - Aliso Creek Ocean Outfall	807,996	492,370	315,626	60.9%
<b>Total</b>	<b>15,182,916</b>	<b>7,194,823</b>	<b>7,988,093</b>	<b>47.5%</b>

The O&M expenses should be less than 50% to remain in budget for December.

The reports included are as follows:

- a. Budget vs. Actual Expenses:
  - Capital Projects Summaries (Exhibit A)
  - Operations and Environmental Summary (Exhibit B-1)
  - Operations and Environmental by PC (B-1.2)
  - Administration (Exhibit B-3)
  - Information Technology (IT) (Exhibit B-4)

**Recommended Action:** Staff recommends that the Finance Committee recommend that the Board of Directors receive and file the December 2025 Financial Reports.

Attachment:

December 2025 Budget vs. Actuals

**Exhibit A**

**South Orange County Wastewater Authority**  
**Capital Projects Summaries**  
**For the Period Ended December 31, 2025**  
**(in dollars)**

<b>FY 2025-26 Budget vs. Actual Spending</b>				
<b>Description</b>	<b>Capital Budget</b>	<b>Fiscal Year Spending</b>	<b>(Over)/ Under Budget</b>	<b>% Expended</b>
PC 2-JB Latham	\$ 8,213,790	\$ 1,719,990	\$ 6,493,800	20.9%
PC 5-San Juan Creek Outfall	-	7,626	(7,626)	-
PC 15-Coastal	3,771,345	633,682	3,137,663	16.8%
PC 17-Regional	176,500	7,562	168,938	4.3%
PC 21 Effluent Transmission	827,273	37,398	789,875	4.5%
PC 24 Aliso Creek Outfall	45,000	11,902	33,098	26.4%
<b>Total Large Capital</b>	<b>\$ 13,033,908</b>	<b>\$ 2,418,160</b>	<b>\$ 10,615,748</b>	<b>18.6%</b>
Non-Capital Engineering	836,000	35,753	800,247	4.3%
Small Internal Capital	1,380,000	397,455	982,545	28.8%
<b>Total Capital</b>	<b>\$ 15,249,908</b>	<b>\$ 2,851,368</b>	<b>\$ 12,398,540</b>	<b>18.7%</b>

**South Orange County Wastewater Authority**  
**Preliminary O & M & Environmental Safety Costs Summary<sup>1</sup>**  
For the Period Ended December 31, 2025  
(in dollars)

FY 2025-26 Budget	Actual	(Over)/Under Budget	% Expended
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<b>Salary and Fringe</b>				
**-5000-**-**-**	Regular Salaries-O&M	3,891,857	1,798,941	2,092,916
**-5001-**-**-**	Overtime Salaries-O&M	56,941	25,398	31,543
**-5306-**-**-**	Scheduled Holiday Work	40,772	16,341	24,431
**-5315-**-**-**	Comp Time - O&M	16,966	25,931	(8,965)
**-5401-**-**-**	Fringe Benefits IN to PC's & Depts.	1,962,205	908,354	1,053,851
**-5700-**-**-**	Standby Pay	53,000	39,000	14,000
	Total Payroll Costs	6,021,741	2,813,966	3,207,775
		46.7%		
<b>Other Expenses</b>				
**-5002-**-**-**	Electricity	1,101,040	698,163	402,877
**-5003-**-**-**	Natural Gas	225,980	55,624	170,356
**-5004-**-**-**	Potable & Reclaimed Water	51,000	29,140	21,860
**-5006-**-**-**	Chlorine/Sodium Hypochlorite	182,500	126,470	56,030
**-5007-**-**-**	Polymer Products	550,000	275,645	274,355
**-5008-**-**-**	Ferric Chloride	700,000	319,318	380,682
**-5009-**-**-**	Odor Control Chemicals	115,000	49,691	65,309
**-5010-**-**-**	Small Purchases and Consumables	217,516	86,754	130,762
**-5011-**-**-**	Laboratory Services	66,104	70,853	(4,749)
**-5012-**-**-**	Grit Hauling	102,000	51,623	50,377
**-5015-**-**-**	Management Support Services	407,500	112,116	295,384
**-5016-**-**-**	Audit - Environmental	4,356	-	4,356
**-5017-**-**-**	Legal Fees	10,000	8,004	1,997
**-5019-**-**-**	Contract Services Misc.	566,100	207,823	358,277
**-5027-**-**-**	Insurance - Property/Liability	737,903	380,868	357,035
**-5030-**-**-**	Trash Disposal	6,000	3,836	2,164
**-5034-**-**-**	Memberships, Conferences, Training & Travel	212,430	56,629	155,801
**-5036-**-**-**	Laboratory Supplies	144,522	73,194	71,328
**-5037-**-**-**	Office Equipment	17,000	536	16,464
**-5038-**-**-**	Permits	749,801	607,860	141,941
**-5044-**-**-**	Offshore Monitoring	100,000	34,370	65,630
**-5045-**-**-**	Offshore Biochemistry - 20B	22,000	14,598	7,402
**-5046-**-**-**	Effluent Chemistry	52,880	26,785	26,095
**-5047-**-**-**	Access Road Expenses	48,000	-	48,000
**-5048-**-**-**	Storm Damage	20,000	-	20,000
**-5049-**-**-**	Biosolids Disposal	800,000	346,928	453,072
**-5054-**-**-**	Diesel Truck Maint	30,500	3,617	26,883
**-5056-**-**-**	Maintenance Equip. & Facilities (Solids)	125,000	29,240	95,760
**-5057-**-**-**	Maintenance Equip. & Facilities (Liquids)	300,000	126,532	173,468
**-5058-**-**-**	Maintenance Equip. & Facilities (Common)	56,000	27,202	28,798
**-5059-**-**-**	Maintenance Equip. & Facilities (Co-Gen)	308,000	146,253	161,747
**-5060-**-**-**	Maintenance Equip. & Facilities (AWT)	30,000	21,659	8,341
**-5068-**-**-**	MNWD Potable Water Supplies & Svcs.	41,000	17,550	23,450
**-5076-**-**-**	SCADA Infrastructure	220,000	6,450	213,550
**-5101-**-**-**	Employee Recognition	1,300	800	500
**-5303-**-**-**	Group Insurance Waiver	3,600	-	3,600
**-5309-**-**-**	Operating Leases	66,000	1,555	64,445
**-5705-**-**-**	Monthly Car Allowance	22,800	10,846	11,954
**-5777-**-**-**	Laboratory Lease	12,000	12,000	-
**-5799-**-**-**	Stormwater Station Costs Share - O&M	(14,000)	(38,214)	24,214
		273.0%		

**South Orange County Wastewater Authority**  
**Preliminary O & M & Environmental Safety Costs Summary<sup>1</sup>**  
 For the Period Ended December 31, 2025  
 (in dollars)

	<b>FY 2025-26 Budget</b>	<b>Actual</b>	<b>(Over)/Under Budget</b>	<b>% Expended</b>
**-6500-**-**-**	IT Allocations in to PC's & Depts.	749,343	378,539	370,804
	Total Other Expenses	9,161,175	4,380,857	4,780,318
	<b>Total O&amp;M Expenses</b>	<b>15,182,916</b>	<b>7,194,823</b>	<b>47.4%</b>

<sup>1</sup> This report intends to monitor the Annual Budget % Expended at the Project Committee and Functional Department levels.

The financial information contained in this report, in some cases, is based on the full accrual basis of accounting, whereby expenses are recognized in the period in which the liability is incurred, i.e., payroll and fringe benefits.

There are instances where we will include the total expense for the entire accounting fiscal year if the information is available, i.e., property and liability insurance premiums.

The audited financial statements for the fiscal year recognize all expenses on the full accrual basis of accounting.

- (1) Bleach Usage is elevated due to ongoing sewage septicity issues and elevated recycled water deliveries.
- (2) Annual payments are made at the beginning of the FY.
- (3) Annual repairs were completed on the CTP AWT.
- (4) Lab Services is elevated due to Verily payment in August 2025
- (5) Offshore Biochemistry is elevated due to molecular lab supplies

**South Orange County Wastewater Authority**  
**Preliminary O&M Budget vs. Actual Comparison by PC<sup>1</sup>**  
For the Period Ended December 31, 2025  
(in dollars)

	FY 2025-26 Budget	Actual	(Over)/Under Budget	% Expended
<b>02 - Jay B. Latham Plant</b>	8,616,077	4,110,813	4,505,264	47.7%
<b>05 - San Juan Creek Ocean Outfall</b>	944,588	514,093	430,495	54.4%
<b>08 - Pre Treatment</b>	289,662	114,639	175,023	39.6%
<b>12 - Water Reclamation Permits</b>	88,769	11,977	76,792	13.5%
<b>15 - Coastal Treatment Plant</b>	3,822,518	1,646,983	2,175,535	43.1%
<b>17 - Joint Regional Wastewater Reclamation and Sludge Handling</b>	568,217	289,993	278,224	51.0%
<b>21 - Effluent Transmission Main</b>	27,589	8,789	18,800	31.9%
<b>23 - North Coast Interceptor</b>	17,500	5,168	12,332	29.5%
<b>24 - Aliso Creek Ocean Outfall</b>	807,996	492,370	315,626	60.9%
<b>Total</b>	<b>15,182,916</b>	<b>7,194,823</b>	<b>7,988,093</b>	<b>47.5%</b>

**02 - Jay B. Latham Plant**

## Salary and Fringe

02-5000-**_**_**	Regular Salaries-O&M	2,114,092	983,502	1,130,590	46.5%
02-5001-**_**_**	Overtime Salaries-O&M	41,564	18,195	23,369	43.8%
02-5306-**_**_**	Scheduled Holiday Work	24,475	11,248	13,227	46.0%
02-5315-**_**_**	Comp Time - O&M	13,574	18,801	(5,227)	138.5%
02-5401-**_**_**	Fringe Benefits IN to PC's & Depts.	1,065,880	496,608	569,272	46.6%
02-5700-**_**_**	Standby Pay	41,000	34,500	6,500	84.1%
	<b>Total Payroll Costs</b>	<b>3,300,585</b>	<b>1,562,852</b>	<b>1,737,733</b>	<b>47.4%</b>

## Other Expenses

02-5002-**_**_**	Electricity	791,040	505,412	285,628	63.9%
02-5003-**_**_**	Natural Gas	222,480	55,373	167,107	24.9%
02-5004-**_**_**	Potable & Reclaimed Water	27,000	16,450	10,550	60.9%
02-5006-**_**_**	Chlorine/Sodium Hypochlorite	65,000	41,050	23,950	63.2% (1)
02-5007-**_**_**	Polymer Products	550,000	275,645	274,355	50.1%
02-5008-**_**_**	Ferric Chloride	400,000	266,051	133,949	66.5% (1)
02-5009-**_**_**	Odor Control Chemicals	45,000	22,689	22,311	50.4%
02-5010-**_**_**	Small Purchases and Consumables	151,100	52,628	98,472	34.8%
02-5011-**_**_**	Laboratory Services	16,924	18,190	(1,266)	107.5% (6)
02-5012-**_**_**	Grit Hauling	80,000	36,591	43,409	45.7%
02-5015-**_**_**	Management Support Services	25,000	16,304	8,696	65.2%
02-5016-**_**_**	Audit - Environmental	500	-	500	0.0%
02-5017-**_**_**	Legal Fees	5,000	8,004	(3,004)	160.1%
02-5019-**_**_**	Contract Services Misc.	343,000	137,648	205,352	40.1%
02-5027-**_**_**	Insurance - Property/Liability	353,523	181,730	171,793	51.4%
02-5030-**_**_**	Trash Disposal	3,000	2,843	157	94.8%
02-5034-**_**_**	Travel Expense/Tech. Conferences	90,785	31,552	59,233	34.8%
02-5036-**_**_**	Laboratory Supplies	21,630	12,200	9,430	56.4%
02-5037-**_**_**	Office Equipment	14,000	536	13,464	3.8%
02-5038-**_**_**	Permits	34,195	57,165	(22,970)	167.2% (2)
02-5049-**_**_**	Biosolids Disposal	800,000	346,928	453,072	43.4%
02-5054-**_**_**	Diesel Truck Maint	29,000	2,184	26,816	7.5%
02-5056-**_**_**	Maintenance Equip. & Facilities (Solids)	125,000	29,820	95,180	23.9%
02-5057-**_**_**	Maintenance Equip. & Facilities (Liquids)	200,000	80,532	119,468	40.3%
02-5058-**_**_**	Maintenance Equip. & Facilities (Common)	30,000	17,163	12,837	57.2%
02-5059-**_**_**	Maintenance Equip. & Facilities (Co-Gen)	308,000	146,253	161,747	47.5%
02-5076-**_**_**	SCADA Infrastructure	110,000	5,523	104,477	5.0%
02-5101-**_**_**	Employee Recognition	1,000	700	300	70.0%
02-5309-**_**_**	Operating Leases	66,000	1,555	64,445	2.4%
02-5705-**_**_**	Monthly Car Allowance	10,000	8,192	1,808	81.9%
02-5777-**_**_**	Laboratory Lease	3,000	3,000	-	100.0%
02-5799-**_**_**	Stormwater Station Costs Share - O&M	(14,000)	(38,214)	24,214	273.0%

**South Orange County Wastewater Authority**  
**Preliminary O&M Budget vs. Actual Comparison by PC<sup>1</sup>**  
For the Period Ended December 31, 2025  
(in dollars)

		<b>FY 2025-26 Budget</b>	<b>Actual</b>	<b>(Over)/Under Budget</b>	<b>% Expended</b>
02-6500-**-**-**	IT Allocations in to PC's & Depts.	408,315	206,265	202,050	50.5%
	Total Other Expenses	5,315,492	2,547,961	2,767,531	47.9%
	 Total Expenses	 8,616,077	 4,110,813	 4,505,264	 47.7%
<b>05 - San Juan Creek Ocean Outfall</b>					
Salary and Fringe					
05-5000-**-**-**	Regular Salaries-O&M	85,709	39,799	45,910	46.4%
05-5001-**-**-**	Overtime Salaries-O&M	106	449	(343)	423.6%
05-5306-**-**-**	Scheduled Holiday Work	515	-	515	0.0%
05-5401-**-**-**	Fringe Benefits IN to PC's & Depts.	42,743	20,096	22,647	47.0%
	Total Payroll Costs	129,073	60,344	68,729	46.8%
Other Expenses					
05-5015-**-**-**	Management Support Services	150,000	28,940	121,060	19.3%
05-5016-**-**-**	Audit - Environmental	500	-	500	0.0%
05-5027-**-**-**	Insurance - Property/Liability	114,398	59,267	55,131	51.8%
05-5034-**-**-**	Travel Expense/Tech. Conferences	15,585	2,893	12,692	18.6%
05-5036-**-**-**	Laboratory Supplies	41,300	13,446	27,854	32.6%
05-5038-**-**-**	Permits	382,658	299,610	83,048	78.3% (2)
05-5044-**-**-**	Offshore Monitoring	50,000	17,185	32,815	34.4%
05-5045-**-**-**	Offshore Biochemistry - 20B	11,000	7,145	3,855	65.0% (5)
05-5046-**-**-**	Effluent Chemistry	29,000	13,992	15,008	48.2%
05-5058-**-**-**	Maintenance Equip. & Facilities (Common) 41-C	1,000	-	1,000	0.0%
05-5705-**-**-**	Monthly Car Allowance	700	-	700	0.0%
05-5777-**-**-**	Laboratory Lease	3,000	3,000	-	100.0%
05-6500-**-**-**	IT Allocations in to PC's & Depts.	16,374	8,271	8,103	50.5%
	Total Other Expenses	815,515	453,749	361,766	55.6%
	 Total Expenses	 944,588	 514,093	 430,495	 54.4%

**South Orange County Wastewater Authority**  
**Preliminary O&M Budget vs. Actual Comparison by PC<sup>1</sup>**  
For the Period Ended December 31, 2025  
(in dollars)

		<b>FY 2025-26 Budget</b>	<b>Actual</b>	<b>(Over)/Under Budget</b>	<b>% Expended</b>
<b>08 - Pre Treatment</b>					
Salary and Fringe					
08-5000-**-**-**	Regular Salaries-O&M	141,939	62,258	79,681	43.9%
08-5401-**-**-**	Fringe Benefits IN to PC's & Depts.	71,671	31,437	40,234	43.9%
	Total Payroll Costs	<u>213,610</u>	<u>93,695</u>	<u>119,915</u>	<u>43.9%</u>
Other Expenses					
08-5010-02-00-00	Small Purchases and Consumables	8,416	48	8,368	0.6%
08-5011-02-00-00	Laboratory Services	3,180	4,022	(842)	126.5% (6)
08-5015-02-00-00	Management Support Services	20,000	-	20,000	0.0%
08-5016-02-00-00	Audit - Environmental	1,356	-	1,356	0.0%
08-5019-02-00-00	Contract Services Misc.	1,600	-	1,600	0.0%
08-5027-02-00-00	Insurance - Property/Liability	4,152	2,151	2,001	51.8%
08-5034-02-00-00	Travel Expense/Tech. Conferences	9,295	853	8,442	9.2%
08-5038-02-00-00	Permits	598	-	598	0.0%
08-6500-02-00-00	IT Allocations in to PC's & Depts.	27,455	13,869	13,586	50.5%
	Total Other Expenses	<u>76,052</u>	<u>20,943</u>	<u>55,109</u>	<u>27.5%</u>
	Total Expenses	<u>289,662</u>	<u>114,639</u>	<u>175,023</u>	<u>39.6%</u>
<b>12 - Water Reclamation Permits</b>					
Salary and Fringe					
12-5000-**-**-**	Regular Salaries-O&M	26,785	5,777	21,008	21.6%
12-5401-**-**-**	Fringe Benefits IN to PC's & Depts.	13,525	2,917	10,608	21.6%
	Total Payroll Costs	<u>40,310</u>	<u>8,695</u>	<u>31,615</u>	<u>21.6%</u>
Other Expenses					
12-5015-02-00-00	Management Support Services	35,000	-	35,000	0.0%
12-5016-02-00-00	Audit - Environmental	500	-	500	-
12-5027-02-00-00	Insurance - Property/Liability	1,283	665	618	51.8%
12-5034-02-00-00	Travel Expense/Tech. Conferences	5,795	-	5,795	0.0%
12-5705-02-00-00	Monthly Car Allowance	700	-	700	0.0%
12-6500-02-00-00	IT Allocations in to PC's & Depts.	5,181	2,617	2,564	50.5%
	Total Other Expenses	<u>48,459</u>	<u>3,282</u>	<u>45,177</u>	<u>6.8%</u>
	Total Expenses	<u>88,769</u>	<u>11,977</u>	<u>76,792</u>	<u>13.5%</u>

**South Orange County Wastewater Authority**  
**Preliminary O&M Budget vs. Actual Comparison by PC<sup>1</sup>**  
For the Period Ended December 31, 2025  
(in dollars)

		FY 2025-26 Budget	Actual	(Over)/Under Budget	% Expended
<b>15 - Coastal Treatment Plant</b>					
Salary and Fringe					
15-5000-**-**-**	Regular Salaries-O&M	1,174,166	530,299	643,867	45.2%
15-5001-**-**-**	Overtime Salaries-O&M	14,223	4,889	9,334	34.4%
15-5306-**-**-**	Scheduled Holiday Work	12,602	3,011	9,591	23.9%
15-5315-**-**-**	Comp Time - O&M	2,120	6,173	(4,053)	291.2%
15-5401-**-**-**	Fringe Benefits IN to PC's & Depts.	592,346	267,768	324,578	45.2%
15-5700-**-**-**	Standby Pay	12,000	4,500	7,500	37.5%
	Total Payroll Costs	<b>1,807,457</b>	<b>816,640</b>	<b>990,817</b>	<b>45.2%</b>
Other Expenses					
15-5002-**-**-**	Electricity	310,000	192,751	117,249	62.2%
15-5003-**-**-**	Natural Gas	3,500	251	3,250	7.2%
15-5004-**-**-**	Potable & Reclaimed Water	24,000	12,690	11,310	52.9%
15-5006-**-**-**	Chlorine/Sodium Hypochlorite	117,500	85,420	32,080	72.7% (1)(3)
15-5008-**-**-**	Ferric Chloride	300,000	53,267	246,733	17.8%
15-5009-**-**-**	Odor Control Chemicals	70,000	27,002	42,998	38.6%
15-5010-**-**-**	Other Chemicals - Misc.	56,500	27,626	28,874	48.9%
15-5011-**-**-**	Laboratory Services	16,000	22,255	(6,255)	139.1% (6)
15-5012-**-**-**	Grit Hauling	22,000	15,032	6,968	68.3%
15-5015-**-**-**	Management Support Services	27,500	5,734	21,766	20.8%
15-5016-**-**-**	Audit - Environmental	500	-	500	0.0%
15-5017-**-**-**	Legal Fees	5,000	-	5,000	0.0%
15-5019-**-**-**	Contract Services Misc.	221,500	70,175	151,325	31.7%
15-5027-**-**-**	Insurance - Property/Liability	159,272	82,515	76,757	51.8%
15-5030-**-**-**	Trash Disposal	3,000	994	2,006	33.1%
15-5034-**-**-**	Travel Expense/Tech. Conferences	78,625	18,498	60,127	23.5%
15-5036-**-**-**	Laboratory Supplies	23,000	13,664	9,336	59.4%
15-5037-**-**-**	Office Equipment	3,000	-	3,000	0.0%
15-5038-**-**-**	Permits	3,450	1,868	1,582	54.1%
15-5047-**-**-**	Access Road Expenses	45,000	-	45,000	0.0%
15-5048-**-**-**	Storm Damage	20,000	-	20,000	0.0%
15-5054-**-**-**	Diesel Truck Maint	1,500	1,433	67	95.5%
15-5057-**-**-**	Maintenance Equip. & Facilities (Liquids)	100,000	46,000	54,000	46.0%
15-5058-**-**-**	Maintenance Equip. & Facilities (Common)	24,000	10,040	13,960	41.8%
15-5060-**-**-**	Maintenance Equip. & Facilities (AWT)	30,000	21,659	8,341	72.2% (4)
15-5076-**-**-**	SCADA Infrastructure	110,000	928	109,072	0.8%
15-5101-**-**-**	Employee Recognition	300	100	200	33.3%
15-5705-**-**-**	Monthly Car Allowance	10,000	2,815	7,185	28.2%
15-5777-**-**-**	Laboratory Lease	3,000	3,000	-	100.0%
15-6500-**-**-**	IT Allocations in to PC's & Depts.	226,914	114,628	112,286	50.5%
	Total Other Expenses	<b>2,015,061</b>	<b>830,342</b>	<b>1,184,719</b>	<b>41.2%</b>
	<b>Total Expenses</b>	<b>3,822,518</b>	<b>1,646,983</b>	<b>2,175,535</b>	<b>43.1%</b>

**South Orange County Wastewater Authority**  
**Preliminary O&M Budget vs. Actual Comparison by PC<sup>1</sup>**  
For the Period Ended December 31, 2025  
(in dollars)

	<b>FY 2025-26 Budget</b>	<b>Actual</b>	<b>(Over)/Under Budget</b>	<b>% Expended</b>
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**17 - Joint Regional Wastewater Reclamation and Sludge Handling**

Salary and Fringe				
17-5000-**-**-**	Regular Salaries-O&M	264,922	126,143	138,779
17-5001-**-**-**	Overtime Salaries-O&M	530	1,270	(740)
17-5306-**-**-**	Scheduled Holiday Work	3,180	2,083	1,097
17-5315-**-**-**	Comp Time - O&M	1,272	957	315
17-5401-**-**-**	Fringe Benefits IN to PC's & Depts.	133,769	63,695	70,074
	Total Payroll Costs	<u>403,673</u>	<u>194,147</u>	<u>209,526</u>
Other Expenses				
17-5010-**-**-**	Small Purchases and Consumables	1,500	5,677	(4,177)
17-5011-**-**-**	Laboratory Services	30,000	26,386	3,614
17-5016-**-**-**	Audit - Environmental	500	-	500
17-5034-**-**-**	Memberships, Conferences, Training & Travel	5,000	54	4,946
17-5036-**-**-**	Laboratory Supplies	31,000	20,292	10,708
17-5068-**-**-**	MNWD Potable Water Supplies & Svcs.	41,000	17,550	23,450
17-5303-**-**-**	Group Insurance Waiver	3,600	-	3,600
17-5705-**-**-**	Monthly Car Allowance	700	-	700
17-6500-**-**-**	IT Allocations in to PC's & Depts.	51,244	25,886	25,358
	Total Other Expenses	<u>164,544</u>	<u>95,846</u>	<u>68,698</u>
	Total Expenses	<u>568,217</u>	<u>289,993</u>	<u>278,224</u>
		<b>51.0%</b>		

**21 - Effluent Transmission Main**

Salary and Fringe				
21-5000-**-**-**	Regular Salaries-O&M	7,060	-	7,060
21-5401-**-**-**	Fringe Benefits IN to PC's & Depts.	3,565	-	3,565
	Total Payroll Costs	<u>10,625</u>	<u>-</u>	<u>10,625</u>
Other Expenses				
21-5027-**-**-**	Insurance - Property/Liability	16,964	8,789	
	Total Other Expenses	<u>16,964</u>	<u>8,789</u>	<u>8,175</u>
	Total Expenses	<u>27,589</u>	<u>8,789</u>	<u>18,800</u>
		<b>31.9%</b>		

**23 - North Coast Interceptor**

Salary and Fringe				
23-5000-**-**-**	Regular Salaries-O&M	5,000	-	5,000
23-5401-**-**-**	Fringe Benefits IN to PC's & Depts.	2,525	-	2,525
	Total Payroll Costs	<u>7,525</u>	<u>-</u>	<u>7,525</u>
Other Expenses				
23-5027-**-**-**	Insurance - Property/Liability	9,975	5,168	4,807
	Total Other Expenses	<u>9,975</u>	<u>5,168</u>	<u>4,807</u>
	Total Expenses	<u>17,500</u>	<u>5,168</u>	<u>12,332</u>
		<b>29.5%</b>		

**24 - Aliso Creek Ocean Outfall**

Salary and Fringe				
24-5000-**-**-**	Regular Salaries-O&M	71,654	51,163	20,491
24-5001-**-**-**	Overtime Salaries-O&M	518	630	(112)
24-5306-**-**-**	Scheduled Holiday Work	530	-	530
24-5401-**-**-**	Fringe Benefits IN to PC's & Depts.	36,181	25,834	10,347
	Total Payroll Costs	<u>108,883</u>	<u>77,628</u>	<u>31,255</u>
Other Expenses				

**South Orange County Wastewater Authority**  
**Preliminary O&M Budget vs. Actual Comparison by PC<sup>1</sup>**  
For the Period Ended December 31, 2025  
(in dollars)

		<b>FY 2025-26 Budget</b>	<b>Actual</b>	<b>(Over)/Under Budget</b>	<b>% Expended</b>
24-5015-**-**-**	Management Support Services	150,000	61,139	88,861	40.8%
24-5016-**-**-**	Audit - Environmental	500	-	500	0.0%
24-5027-**-**-**	Insurance - Property/Liability	78,336	40,584	37,752	51.8%
24-5034-**-**-**	Travel Expense/Tech. Conferences	7,345	2,779	4,566	37.8%
24-5036-**-**-**	Laboratory Supplies	27,592	13,592	14,000	49.3%
24-5038-**-**-**	Permits	328,900	249,217	79,683	75.8% (2)
24-5044-**-**-**	Offshore Monitoring	50,000	17,185	32,815	34.4%
24-5045-**-**-**	Offshore Biochemistry - 20B	11,000	7,453	3,547	67.8% (5)
24-5046-**-**-**	Effluent Chemistry	23,880	12,792	11,088	53.6%
24-5047-**-**-**	Access Road Expenses	3,000	-	3,000	0.0%
24-5058-**-**-**	Maintenance Equip. & Facilities (Common) 41-C	1,000	-	1,000	0.0%
24-5705-**-**-**	Monthly Car Allowance	700	-	700	0.0%
24-5777-**-**-**	Laboratory Lease	3,000	3,000	-	100.0%
24-6500-**-**-**	IT Allocations in to PC's & Depts.	13,860	7,002	6,858	50.5%
	Total Other Expenses	<hr/> 699,113	<hr/> 414,742	<hr/> 284,371	<hr/> 59.3%
	 Total Expenses	 <hr/> 807,996	 <hr/> 492,370	 <hr/> 315,626	 <hr/> 60.9%
	 <b>Total O&amp;M Expenses</b>	 <hr/> <b>15,182,916</b>	 <hr/> <b>7,194,823</b>	 <hr/> <b>7,988,093</b>	 <hr/> <b>47.4%</b>

<sup>1</sup> This report intends to monitor the Annual Budget % Expended at the Project Committee and Functional Department levels.

The financial information contained in this report, in some cases, is based on the full accrual basis of accounting, whereby expenses are recognized in the period in which the liability is incurred, i.e., payroll and fringe benefits.

There are instances where we will include the total expense for the entire accounting fiscal year if the information is available, i.e., property and liability insurance premiums.

The audited financial statements for the fiscal year recognize all expenses on the full accrual basis of accounting.

**South Orange County Wastewater Authority**  
**Preliminary O&M Budget vs. Actual Comparison by PC**  
For the Period Ended December 31, 2025

- (1) Ferric chloride and bleach usage have continued to increase due to sewage septicity.
- (2) Annual payments are made at the beginning of the FY.
- (3) Bleach Usage is elevated due to elevated recycled water deliveries.
- (4) Annual repairs were completed on the CTP AWT.
- (5) Offshore Biochemistry is elevated due to molecular lab supplies
- (6) Lab Services is elevated due to Verily payment in August 2025

**Exhibit B-3**

**South Orange County Wastewater Authority**  
**Preliminary Budget vs. Actual Comparison- Administration**  
For the Period Ended December 31, 2025  
(in dollars)

		<b>FY 2025-26 Budget</b>	<b>Actual</b>	<b>(Over)/Under Budget</b>	<b>% Expended</b>
01-5000-04-00-00	Regular Salaries-ADMIN	773,482	339,737	433,745	43.9%
01-5001-04-00-00	Overtime Salaries-O&M	530	972	(442)	183.4%
01-5315-04-00-00	Comp Time - O&M	1,060	-	1,060	0.0%
01-5401-04-00-00	Fringe Benefits IN to PC's & Depts.	390,561	171,546	219,015	43.9%
	Total Payroll Costs	<b>1,165,633</b>	<b>512,255</b>	<b>653,378</b>	<b>43.9%</b>
<b>Other Expenses</b>					
01-5010-04-00-00	Small Purchases and Consumables	26,000	7,445	18,555	28.6%
01-5015-04-00-00	Management Support Services	150,000	20,783	129,217	13.9%
01-5016-04-00-00	Audit	45,000	42,450	2,550	94.3% (1)
01-5017-04-00-00	Legal Fees	100,000	31,814	68,186	31.8%
01-5019-04-00-00	Contract Services Misc. - 29	9,709	2,700	7,009	27.8%
01-5034-04-00-00	Memberships & Trainings	121,000	58,791	62,209	48.6%
01-5037-04-00-00	Office Equipment	1,000	-	1,000	0.0%
01-5074-04-00-00	Education Reimbursement	1,000	-	1,000	0.0%
01-5079-04-00-00	Scholarship Reimbursement	1,000	-	1,000	0.0%
01-5101-04-00-00	Employee Recognition	26,050	20,887	5,163	80.2%
01-5705-04-00-00	Monthly Car Allowance	16,200	8,331	7,869	51.4%
01-6500-04-00-00	IT Allocations in to PC's & Depts.	138,922	75,580	63,342	54.4%
	Total Other Expenses	<b>635,881</b>	<b>268,779</b>	<b>367,102</b>	<b>42.3%</b>
	<b>Total Admin Expenses</b>	<b>1,801,514</b>	<b>781,035</b>	<b>1,020,479</b>	<b>43.4%</b>

(1) Annual payments are made in the middle of the FY.

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

For the Period Ended December 31, 2025  
 (in dollars)

		FY 2025-26 Budget	Actual	(Over)/Under Budget	% Expended
<b>Salary &amp; Fringe</b>					
01-5000-05-00-00	Regular Salaries-IT	151,848	74,698	77,150	49.2%
01-5401-05-00-00	Fringe Benefits IN to PC's & Depts.	76,674	37,718	38,956	49.2%
	<b>Total Salary &amp; Fringe</b>	<b>228,522</b>	<b>112,416</b>	<b>116,106</b>	<b>49.2%</b>
<b>Other Expenses</b>					
01-5010-05-00-00	Small Tools & Supplies	4,000	169	3,831	4.2%
01-5015-05-00-00	Training Expense	150,000	41,180	108,820	27.5%
01-5034-05-00-00	Recruitment & Employee Relations, IT DEPT	7,025	3,834	3,191	0.0%
01-5076-05-00-00	Memberships & Trainings	303,831	149,012	154,819	49.0%
01-5078-05-00-00	Travel & Conference	145,382	114,885	30,497	0.0%
01-5309-05-00-00	Software Maintenance Agreements	56,000	30,522	25,478	54.5%
01-5705-05-00-00	Hardware Maintenance Agreements	4,200	2,100	2,100	50.0%
	<b>Total Other Expenses</b>	<b>670,438</b>	<b>341,702</b>	<b>328,736</b>	<b>51.0%</b>
	<b>Total Expenses before Allocation</b>	<b>898,960</b>	<b>454,119</b>	<b>444,841</b>	<b>50.5%</b>

# Agenda Item

13

<b>Budgeted:</b> N/A
<b>Legal Counsel Review:</b> Yes
<b>Meeting Date:</b> January 20, 2026

**TO:** Finance Committee  
**FROM:** Amber Boone, General Manager  
**SUBJECT:** FY 26-27 Budget Schedule

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## Summary

The following provides the draft budget schedule for FY 26-27.

### January

- January 20, 2026 Finance Committee: Budget vs. Capacity Discussion & Budget Assumptions
- January 22, 2026 Engineering Committee: Budget vs. Capacity Discussion & Draft 10 Year CIP (Focus on Safety and Compliance)

### February

- February 17, 2026 Finance Committee: Budget vs. Capacity Discussion, Full Budget Assumptions, Fringe Rate, Labor Projections, & Major Cost Drivers, O & M Budgets

### March

- March 3, 2026 Special Finance Committee: Draft O&M, Admin, and IT Budgets
- March 17, 2026 Special Finance Committee: Draft Final O&M, Admin, and IT Budgets

### April

- April 14, 2026 Special Finance Committee: Draft Final CIP 10 Year Budget
- April 28, 2026 Special Finance Committee: Final CIP 10 Year Budget

### May

- May 21, 2026: Board Budget Workshop

### June

- June 4 – Board Meeting (Budget Consideration for Approval)

**Recommended Action:** Committee Discussion, Direction, or Action

# Agenda Item

14

Finance Committee Meeting

Meeting Date: January 20, 2026

**TO:** Finance Committee

**FROM:** Amber Boone, General Manager

**SUBJECT:** Key Budget Assumptions for Preparing the Draft FY 2026-27 Budget

SOCWA staff plan to use the following key assumptions for preparing the draft budget for FY 2026-27:

## Overall Budget Assumptions

- COLA and employee benefit costs in alignment with MOU between SOCWA and the SOCWA Employee Association, terminating on June 30, 2028.
- 1 year of O&M budget.
- 10 years of Capital budgets focused on compliance, safety-related items, and obsolescence to support the Facility Planning Assessment work.
- Current full-time employee count at thirty-seven with one part-time employee and three total open positions in admin, operations, and maintenance.

## Administration/General Fund Budget Assumptions

- Inflation of 3% for consumables and other non-labor expenses.
- Public Relations (placeholder)
- Ocean Institute Partnership annual payment of \$10,000
- Admin support for outside financial management services.
- IRWD, MNWD, and TCWD to remain in documents use noted as “Care of XX” with all not contributing to SOCWA General Fund expenses as appropriate.
- General Fund Budget to be presented as evenly allocated.
- Annual Funding of PERS based on PERS notices.
- PERS retirement calculated using CalPERS provided Employer Normal Cost Rates.
- PERS unfunded liability (UAL) will be provided by CalPERS for Tier 1, Tier 2, and Tier 3 plans.
- Pay go OPEB Contributions, rely on Financial Markets Performance.
- Fringe Pool Budget items included based on actual costs or noticed projected changes.

## O&M Budget Assumptions

- Capacity vs. twelve month of flows and loads reviewed by engineering and financial committee members for direction. Recommendation of agreed upon capacity.
- CPUC past and projected rate increases are used to calculate most utility cost changes:
  - CTP Electricity (TOU-PA-3-D) – 5% (SCE)
  - JBL Electricity (PAT-1) – 10% (SDGE)
  - Natural Gas – 13.2%

- Chemicals with energy-intensive production processes (including bleach, caustic, ferric, and polymer) – 6%
- Other long-term contract rates are used to budget contracted supplies and services.
- Biosolids – The Budget is proposed to be reduced by \$25,000, from \$800,000 to \$775,000, reflecting a reconciliation of forecasted versus realized Biosolids costs. The FY 2025–26 Budget incorporated estimated impacts associated with the MNWD 3A Plant shutdown. The proposed FY 2026–27 Budget adjusts those assumptions based on actual Biosolids volumes and cost increases observed since the 3A Plant went offline in June 2025.
- Increased training budget due to employee needs, new regulations, artificial intelligence, and other new technologies.

### Compliance Budget Assumptions

1. Salt and Nutrient Management Plan completion in FY 24-25 with support needed for Master Recycled Water Waste Discharge permit needed for PC12
2. Molecular technologies for beach monitoring consumables are expected to increase by 5%
3. Pretreatment budget expects a 3% inflationary increase.
4. Additional management services are assumed across all PCs to support expanding regulatory requirements, including climate change adaptation and air toxics compliance.
5. PC5 and PC24 management services increases for NPDES permit reissuance costs needed
6. Completion of required NPDES rig fishing and benthic monitoring management services in FY 25-26 results in budget reductions for PC5 and PC24.
7. Research priorities management support: 5% increase
8. Management services PC2, PC15, and PC17 budgets to include increases to support renewal of Verily wastewater-based epidemiology monitoring contract.
9. PC17 expects moderate increases for addition of MNWD-3A laboratory labor, services and supplies. To be offset by additional revenues from MNWD and will reduce Administrative Budget costs for the SOCWA member agencies.

### Capital Program

- Currently being updated for Engineering Committee review.
- Assume staffing (1.25) with outside support services.
- Updated CIP elements for the Budget Book
  - Add total project budget column
  - Add estimated project expenses as of 6/30/2025 column
  - The second year of CIP billings will be shown for the next full year and not quarterly
  - New projects added are due to safety, regulations, and/or obsolescence.
  - Increased Non-Cap Budgets for Phase 2 Master Planning at \$1.5M for JBL and CTP each.

### IT Services

- IT Infrastructure
  - Hypervisors/SAN/Switches - Upgrade and Deployment
- Brivo Legacy Control Panels
- Palo Alto Firewall Upgrades and Implementation of High Availability
- WIMS Server Upgrade
- Pen/Validation Testing of Business and SCADA networks

**Recommended Action:** Committee Discussion, Direction, or Action

# Agenda Item

15

**Budgeted:** N/A

**Meeting Date:** January 20, 2026

**TO:** Finance Committee

**FROM:** Amber Boone, General Manager

**SUBJECT:** FY 26-27 Capacity vs. Flows Budget Discussion

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## Summary

The following provides the starting point in the discussion on the budgeted flows for SOCWA Member Agencies. The staff report includes the capacity agreement tables per PC and the calendar flow and solids summaries for Project Committees 2, 12, and 15. The intent of this staff report is to provide a comparison of use versus capacity as part of the overall administrative efficiency and transparent methodology discussion for inclusion in the FY 25-26 O&M budget.

## Discussion

Captured herein are the methodologies employed and the results by member agency based on the raw and calculated data distributed to Finance Committee members for review and comment. Please note that PC5 and PC24 are attributed to fixed costs. Please note that the budget will allocate costs to MNWD, IRWD, and TCWD based on the capacity transfer amounts in the restructuring agreements.

## PC2

Table 1 provides the updated percentages used in the budgeting process based on the approved agreements. Please note that the use audit will allocate costs to MNWD based on flows on behalf of SCWD.

Table 1: PC2 Liquids and Solids Summary Table

Member Agency	Liquids (mgd)	Solids (mgd)	Solids (lbs)	Common - S (%)	Common-L(%)
SCWD	6.75	7.7	16,055	41.62	51.92
SMWD	6.25	10.8	22518	58.38	48.08
Total	13.00	18.5	38,573	100.00	100.00

Table 2: PC2 2025 Calendar Year Flows and Solids

<b>PC2 - JB Latham Plant</b>		
<b><u>2025 Liquids Summary (mgd)</u></b>		
<b>Member Agency</b>	<b>Total Avg. Flow (mgd)</b>	<b>Total Billing (%)</b>
San Juan Trunkline <sup>(1)</sup>	2.21	
MNWD <sup>(2)</sup>	1.4	16.50 %
SCWD	1.52	17.90 %
Oso-Trabuco Trunkline/SMWD <sup>(1),(2),(3)</sup>	4.75	65.60 %
	9.89	100.00 %
<b><u>2025 Solids Summary Loading (mgd)</u></b>		
<b>Member Agency</b>	<b>Total Solids (pounds)</b>	<b>Total Billing (%)</b>
San Juan Trunkline <sup>(1)</sup>	6542.41	
MNWD <sup>(2)</sup>	4235.00	12.91 %
SCWD	5825.34	17.76 %
Oso-Trabuco Trunkline/SMWD <sup>(1),(2),(3)</sup>	16198.99	69.33 %
	32801.74	100.00%
<p>(1) San Juan Trunkline was previously allocated to the City of San Juan Capistrano (CSJC). With the acquisition of CSJC's flow by SMWD, the flows are included in SMWD's total flows and solids loading and included for clarity in total flows and solids contribution due to sharing of the Oso-Trabuco line by SMWD and MNWD.</p>		
<p>(2) Please refer to the MNWD &amp; SMWD Agreement from 2018 for flow/solids splitting in the Oso-Trabuco line.</p>		
<p>(3) SMWD Includes Flow from San Juan Creek trunkline flow plus Oso Trabuco flow split minus the 1.4mgd flow constant from MNWD</p>		

Table 3: Combined Capacity Flows, Solids, and Percentage Share

<b>SOCWA Member Agency</b>	<b>Liquids (mgd)</b>	<b>Percent (%)</b>	<b>Solids (pounds)</b>	<b>Percent (%)</b>
SCWD	2.92	29.53%	10060.34	20.36%
SMWD	6.97	70.47%	39344.14	79.64%
<b>Total</b>	<b>9.89</b>	<b>100.00%</b>	<b>49404.48</b>	<b>100.00%</b>

## PC12

Past practice has been to budget costs based on calendar year flow. The reorganization agreements indicated SOCWA has agreed to providing the following services:

- a. Recycled Water Permitting Services
- b. Pretreatment Program Services
- c. Laboratory Services
- d. Permitting Services

PC12 represents a portion of the Environmental Technical Services team. Recycled water permitting services, through the form of labor, have been the primary cost driver in this department. SOCWA is evaluating a combined structure of all permit and environmental technical services based on the reorganization agreements. SOCWA staff will present the labor component analysis at the next Finance Committee meeting.

Table 4: Calendar Year Production 2025

<b>PC 12 Recycled Water</b>		
<b>Master Recycled Water Permit</b>		
<b>2025</b>		
<b>Agency</b>	<b>Region 9 Recycled Production acft</b>	<b>% RW Produced %</b>
MNWD	5138.95	41.43%
SCWD	691.52	5.57%
SMWD	6122.92	49.36%
TCWD	450.94	3.64%
<b>Total</b>	<b>12404.33</b>	<b>100%</b>

## PC15

Table 5 provides the updated percentages used in the approved agreements and Table 6 provides the actual flows for Calendar Year 2025 for comparison.

Table 5: PC15 Liquids and Solids Summary Table

Agencies	Liquids (mgd)	AWT (%)	Common (%)
CLB	3.64	0	54.3
EBSD	0.2	0	3.00
SCWD	2.86	100	42.7
Total	6.7	100	100.00

Table 6: PC15 Liquids and Solids 2025 Summary Table

PC 15 Actual Flows 2025		
Coastal Treatment Plant		
Member Agency	Plant Flows MGD	Plant Flow Percent
CLB	1.38	55%
EBSD	.06	3%
SCWD	1.06	42%
Total	2.50	100%

#### Previous Committee Review

This is the first time the CY 2025 flows and solids used for FY 2026-27 will be before the Finance Committee for discussion and comment.

**Recommended Action:** Committee Discussion, Direction, or Action