

**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, 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 LYNDIA MAY AT 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
Passcode: 177040

One Tap Mobile
+16694449171,,83530693742#,,,*177040# US
+16699006833,, 83530693742#,,,*177040# US (San Jose)

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 |
| Recommended Action: Committee Discussion, Direction, or Action | |
| 13. <u>FY 26-27 Budget Schedule</u> | 187 |
| Recommended Action: Committee Discussion, Direction, or Action | |
| 14. <u>FY 26-27 Budget Assumptions</u> | 188 |
| Recommended Action: Committee Discussion, Direction, or Action | |
| 15. <u>FY 26-27 Flows vs. Capacity Discussion</u> | 190 |
| Recommended Action: 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.

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.

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

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.

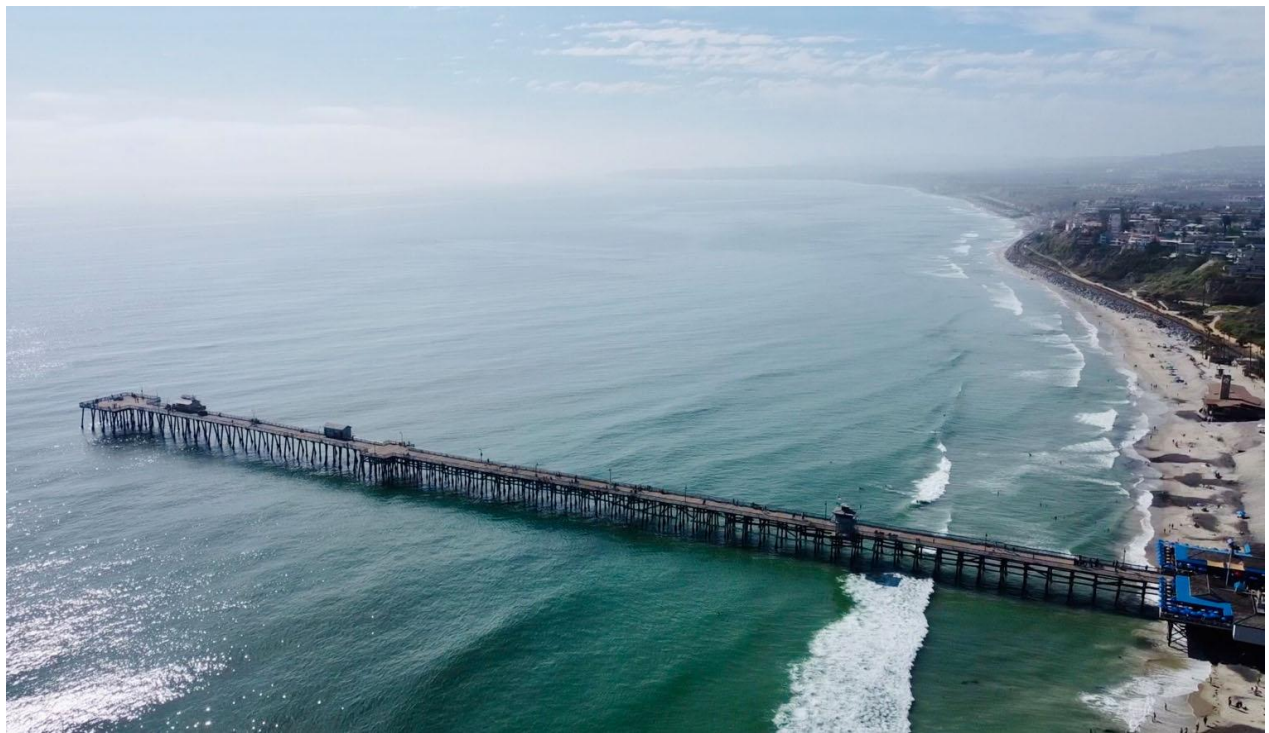
Recommended Action: Board discussion, direction, and action.

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

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.

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.

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.

A handwritten signature in black ink that reads "The PwC Group, LLP". The signature is written in a cursive, flowing style.

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) |
|--|----------------|--------------------|
| Current assets: | | |
| 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 | 9,421,348 | 2,268,337 |
| Prepaid items | 250,557 | 298,706 |
| Total current assets | 28,495,254 | 17,828,369 |
| Noncurrent assets: | | |
| 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 | 122,303,848 | 156,972,618 |
| Total assets | 150,799,102 | 174,800,987 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Pensions (Note 8) | 5,558,264 | 7,507,318 |
| Other postemployment benefits (Note 7) | 2,717,909 | 1,025,922 |
| Total deferred outflows of resources | 8,276,173 | 8,533,240 |
| LIABILITIES | | |
| Current liabilities: | | |
| 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 |
| Total current liabilities | 8,654,586 | 6,249,621 |
| Noncurrent liabilities: | | |
| 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 |
| Total noncurrent liabilities | 30,913,505 | 26,448,099 |
| Total liabilities | 39,568,091 | 32,697,720 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Pensions (Note 9) | 564,556 | 1,016,719 |
| Other postemployment benefits (Note 8) | 858,145 | 874,050 |
| Total deferred inflows of resources | 1,422,701 | 1,890,769 |
| NET POSITION | | |
| 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) |
| Total net position | \$ 118,084,483 | \$ 148,745,738 |

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

| | 2025 | 2024 (Restated) |
|--|-----------------------|----------------------------|
| OPERATING REVENUES: | | |
| 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> |
| Total Operating Revenues | <u>21,469,716</u> | <u>25,074,243</u> |
| OPERATING EXPENSES: | | |
| 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 |
| Total Operating Expenses | <u>33,887,520</u> | <u>35,908,229</u> |
| Operating (Loss) | <u>(12,417,804)</u> | <u>(10,833,986)</u> |
| NON-OPERATING REVENUES (EXPENSES): | | |
| 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 |
| Total Non-Operating Revenue (Expenses) | <u>3,516,507</u> | <u>2,265,530</u> |
| CAPITAL CONTRIBUTIONS FROM MEMBER AGENCIES: | | |
| 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> |
| Total Capital Contributions from Member Agencies | <u>6,748,456</u> | <u>9,697,958</u> |
| Change in Net Position before Special Items | <u>(2,152,841)</u> | <u>1,129,502</u> |
| SPECIAL ITEMS: | | |
| 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) | - |
| Total special items | <u>(28,508,414)</u> | <u>-</u> |
| Change in Net Position | <u>(30,661,255)</u> | <u>1,129,502</u> |
| NET POSITION: | | |
| 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> |

See accompanying Notes to the Financial Statements.

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

| | 2025 | 2024 (Restated) |
|---|------------------------|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| 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) |
| Net cash provided by (used in) operating activities | (4,466,241) | (1,122,164) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | |
| 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 |
| Net cash provided by (used in) noncapital financing activities | (171,105) | 1,709,791 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| 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) |
| Net cash provided by (used in) capital and related financing activities | 7,465,397 | 4,846,570 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Investment earnings | 733,972 | 459,524 |
| Net cash provided by (used in) investing activities | 733,972 | 459,524 |
| Net change in cash and cash equivalents | 3,562,023 | 5,893,721 |
| CASH AND CASH EQUIVALENTS: | | |
| Beginning of year | 15,261,326 | 9,367,605 |
| End of year | <u>\$ 18,823,349</u> | <u>\$ 15,261,326</u> |
| RECONCILIATION OF NET OPERATING (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES: | | |
| 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) |
| Net cash provided by (used in) operating activities | \$ (4,466,241) | \$ (1,122,164) |
| NON CASH ITEM FROM INVESTING ACTIVITIES | | |
| 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 |
| | <u>\$ (28,508,414)</u> | <u>\$ 386,228</u> |

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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

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

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

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

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

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 noncancellable 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

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

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

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:

| | <u>June 30, 2025</u> | <u>June 30, 2024</u> |
|-------------------------------|----------------------|----------------------|
| 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>\$ 18,823,349</u> | <u>\$ 15,261,326</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

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

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 |
|--|-------------------------|---------------------|------------------------|--------------------|--------------------------|
| Tangible capital assets, not depreciated | | | | | |
| 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 |
| Total tangible capital assets, not depreciated | 34,337,020 | 6,386,028 | (6,589,000) | (2,333,352) | 31,800,696 |
| Tangible capital assets, being depreciated | | | | | |
| 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 |
| Total tangible capital assets, being depreciated | 370,068,923 | - | (106,877,316) | 2,333,352 | 265,524,959 |
| Less accumulated depreciation on tangible assets | | | | | |
| 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) |
| Total accumulated depreciation on tangible assets | (247,591,702) | (7,169,784) | 72,457,901 | - | (182,303,585) |
| Total tangible capital assets, being depreciated, net | 122,477,221 | (7,169,784) | (34,419,415) | 2,333,352 | 83,221,374 |
| Intangible assets, being amortized: | | | | | |
| Right-to-use Lease Assets - Equipment | 226,759 | - | - | - | 226,759 |
| Right-to-use Subscription Assets - Equipment | 23,511 | 9,928 | (9,025) | - | 24,414 |
| Total lease assets | 250,270 | 9,928 | (9,025) | - | 251,173 |
| Less accumulated amortization | | | | | |
| 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) |
| Total accumulated amortization | (91,893) | (53,194) | 9,025 | - | (136,062) |
| Total intangible assets, being amortized, net | 158,377 | (43,266) | - | - | 115,111 |
| Total capital assets, net | \$ 156,972,618 | \$ (827,022) | \$ (41,008,415) | \$ - | \$ 115,137,181 |

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 |
|--|-------------------------|-----------------------|-------------|--------------------|--------------------------|
| Tangible capital assets, not depreciated | | | | | |
| Land | \$ 14,402,224 | \$ - | \$ - | \$ - | \$ 14,402,224 |
| Construction In Progress | 18,905,336 | 4,797,617 | - | (3,768,157) | 19,934,796 |
| Total tangible capital assets, not depreciated | 33,307,560 | 4,797,617 | - | (3,768,157) | 34,337,020 |
| Tangible capital assets, being depreciated | | | | | |
| 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 |
| Total tangible capital assets, being depreciated | 366,300,766 | - | - | 3,768,157 | 370,068,923 |
| Less accumulated depreciation on tangible assets | | | | | |
| 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) |
| Total accumulated depreciation on tangible assets | (238,811,149) | (8,780,553) | - | - | (247,591,702) |
| Total tangible capital assets, being depreciated, net | 127,489,617 | (8,780,553) | - | 3,768,157 | 122,477,221 |
| Intangible assets, being amortized: | | | | | |
| Right-to-use Lease Assets - Equipment | 226,759 | - | - | - | 226,759 |
| Right-to-use Subscription Assets - Equipment | 9,025 | 14,486 | - | - | 23,511 |
| Total lease assets | 235,784 | 14,486 | - | - | 250,270 |
| Less accumulated amortization | | | | | |
| Right-to-use Lease Assets - Equipment | (39,221) | (45,352) | - | - | (84,573) |
| Right-to-use Subscription Assets - Equipment | (3,050) | (4,270) | - | - | (7,320) |
| Total accumulated amortization | (42,271) | (49,622) | - | - | (91,893) |
| Total intangible assets, being amortized, net | 193,513 | (35,136) | - | - | 158,377 |
| Total capital assets, net | \$ 160,990,690 | \$ (4,018,072) | \$ - | \$ - | \$ 156,972,618 |

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

Note 6 – Compensated Absences

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

| | Balance July 1, 2024 (As restated) | Net Changes | Balance June 30, 2025 | Classification | |
|----------------------|--|--------------|--------------------------|----------------|------------|
| | | | | 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 July 1, 2023 (As restated) | Net Changes | Balance June 30, 2024 | Classification | |
|----------------------|--|-------------|--------------------------|----------------|------------|
| | | | | 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 July 1, 2024 | Additions | Deletions | Balance June 30, 2025 | Due within One Year | Due in More Than One Year |
|------------------------|-------------------------|-----------|-------------|--------------------------|------------------------|------------------------------|
| 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 | \$ 155,350 | \$ 9,928 | \$ (59,456) | \$ 105,822 | \$ 51,018 | \$ 54,804 |

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

| | Balance July 1, 2023 | Additions | Deletions | Balance June 30, 2024 | Due within One Year | Due in More Than One Year |
|------------------------|-------------------------|-----------|-------------|--------------------------|------------------------|------------------------------|
| 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 | \$ 189,310 | \$ 14,486 | \$ (48,446) | \$ 155,350 | \$ 49,528 | \$ 105,822 |

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

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>\$ 100,994</u> | <u>\$ 3,964</u> | <u>\$ 104,958</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>\$ 4,828</u> | <u>\$ 122</u> | <u>\$ 4,950</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

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:

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

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

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

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 |
| Changes Recognized for the Measurement Period: | | | |
| 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 |
| Net changes during July 1, 2024 to June 30, 2025 | 2,498,159 | 712,721 | 1,785,438 |
| Balance at June 30, 2025 (Measurement Date) | \$ 14,499,764 | \$ 7,750,994 | \$ 6,748,770 |

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

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 |
| Changes Recognized for the Measurement Period: | | | |
| 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 |
| Net changes during July 1, 2023 to June 30, 2024 | 1,008,472 | 819,777 | 188,695 |
| Balance at June 30, 2024 (Measurement Date) | \$ 12,001,605 | \$ 7,038,273 | \$ 4,963,332 |

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%) |
| | | | |
| June 30, 2025 | \$ 8,657,707 | \$ 6,748,770 | \$ 5,175,002 |

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%) |
| | | | |
| June 30, 2024 | \$ 6,441,475 | \$ 4,963,332 | \$ 3,737,304 |

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

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 | \$ 2,717,909 | \$ (858,145) | \$ 1,025,922 | \$ (874,050) |

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:

| 2025 | | 2024 | |
|---------------------|--|---------------------|--|
| Year Ending June 30 | Deferred Outflows/(Inflows) of Resources | Year Ending June 30 | Deferred Outflows/(Inflows) of Resources |
| 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 | \$ 1,859,764 | Total | \$ 151,872 |

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

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 |
| Total | 130 | 9 | 62 | 131 | 9 | 55 |

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

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

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 ¹ | 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 |

¹The 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

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:

| 2024 and 2023 | | |
|---|--------------------------|----------------------------|
| Asset Class | Assumed Asset Allocation | Real Return ^{1,2} |
| 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% |
| | <u>100.00%</u> | |

¹ An expected inflation of 2.30% used for this period.

² 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

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

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

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 | | Change - Increase | |
| (Decrease) | 0.00357% | (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

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 | Deferred Inflows 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 | (156,246) |
| Projected earnings on pension plan investments under/(in excess of) actual earnings | 1,128,320 | - | 3,192,293 | - |
| Adjustment due to differences in proportions | | | | - |
| Change in employer's proportion | 76,662 | (240,791) | 119,252 | (320,284) |
| Employer's actual contributions in excess of/(under) employer's proportionate share of contribution | - | (257,645) | - | (540,189) |
| Total | <u>\$ 5,558,264</u> | <u>\$ (564,556)</u> | <u>\$ 7,507,318</u> | <u>\$ (1,016,719)</u> |

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:

| 2025 | | 2024 | |
|-------------------------|--|-------------------------|--|
| Year Ending June 30, | Deferred Outflows/ (Inflows) of Resources Miscellaneous | Year Ending June 30, | Deferred Outflows/ (Inflows) of Resources 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 | - |
| Total | <u>\$ 2,838,731</u> | Total | <u>\$ 4,492,435</u> |

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

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

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:

| Due From Member and Contracted Agencies | June 30, 2025 | June 30, 2024 |
|--|----------------------|----------------------|
| 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 |
| Total Due From Member Agencies | \$ 2,123,669 | \$ 986,554 |

* Contracted Agencies

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

| Due To Member and Contracted Agencies | June 30, 2025 | June 30, 2024 |
|--|----------------------|----------------------|
| 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 |
| Total Due To Member Agencies | \$ 2,982,982 | \$ 2,354,300 |

* 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:

| | June 30, 2025 | June 30, 2024 |
|---|-----------------------|-----------------------|
| 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 | \$ 115,026,640 | \$ 156,788,745 |

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

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

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

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 principal: | | |
| GASB 101 - Compensated Absences | - | 33,540 |
| Beginning net position, as restated | <u>\$ 148,745,738</u> | <u>\$ 147,616,236</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

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

Last Ten Fiscal Years

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

| For the measurement date: | June 30, 2020 | June 30, 2021 | June 30, 2022 | June 30, 2023 | June 30, 2024 |
|---|---------------|---------------|---------------|---------------|---------------|
| 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

Last Ten Fiscal Years

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

| | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
|---|----------------|----------------|----------------|----------------|----------------|
| Risk Management | | | | | |
| Actuarially determined contribution ¹ | \$ 495,877 | \$ 521,940 | \$ 1,094,606 | \$ 1,297,346 | \$ 1,441,008 |
| Contribution in relation to the actuarially determined contribution ¹ | (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 ² | \$ 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% |

¹ 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.

² 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

Last Ten Fiscal Years

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

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

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

Last Ten Fiscal Years

Other Postemployment Benefits ("OPEB")

| Measurement period | 2017-2018 ¹ | 2018-2019 | 2019-2020 | 2020-2021 | 2021-2022 |
|---|------------------------|---------------------|----------------------|----------------------|----------------------|
| Total OPEB Liability: | | | | | |
| 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 ² | - | - | - | - | - |
| Benefit payments, including refunds of member contributions | (354,582) | (529,726) | (457,597) | (592,075) | (667,236) |
| Net change in Total OPEB Liability | 580,021 | (296,630) | 1,073,412 | (159,489) | (123,121) |
| Beginning of Year | 9,602,387 | 10,182,408 | 9,885,778 | 10,959,190 | 10,799,701 |
| End of Year | \$ 10,182,408 | \$ 9,885,778 | \$ 10,959,190 | \$ 10,799,701 | \$ 10,676,580 |
| Plan Fiduciary Net Position: | | | | | |
| 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) |
| Net changes in Fiduciary Net Position | 553,486 | 314,407 | 132,822 | 1,386,583 | (929,249) |
| Beginning of Year | 4,269,924 | 4,823,410 | 5,137,817 | 5,270,639 | 6,657,222 |
| End of Year | \$ 4,823,410 | \$ 5,137,817 | \$ 5,270,639 | \$ 6,657,222 | \$ 5,727,973 |
| Net OPEB Liability | \$ 5,358,998 | \$ 4,747,961 | \$ 5,688,551 | \$ 4,142,479 | \$ 4,948,607 |
| Fiduciary Net Position as a percentage of Total OPEB Liability | 47.37% | 51.97% | 48.09% | 61.64% | 53.65% |
| Covered Payroll² | \$ 6,083,399 | \$ 6,456,681 | \$ 6,456,681 | \$ 6,607,567 | \$ 6,812,966 |
| Net OPEB Liability as a percentage of Covered Payroll | 88.09% | 73.54% | 88.10% | 62.69% | 72.64% |

¹Historical 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.

²The 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

Last Ten Fiscal Years

Other Postemployment Benefits ("OPEB") (Continued)

| Measurement period | 2022-2023 | 2023-2024 | 2024-2025 |
|---|----------------------|----------------------|----------------------|
| Total OPEB Liability: | | | |
| 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 ² | - | - | - |
| Benefit payments, including refunds of member contributions | (710,421) | (741,656) | (795,977) |
| Net change in Total OPEB Liability | 316,553 | 1,008,472 | 2,498,159 |
| Beginning of Year | 10,676,580 | 10,993,133 | 12,001,605 |
| End of Year | <u>\$ 10,993,133</u> | <u>\$ 12,001,605</u> | <u>\$ 14,499,764</u> |
| Plan Fiduciary Net Position: | | | |
| 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) |
| Net changes in Fiduciary Net Position | 490,523 | 819,777 | 712,721 |
| Beginning of Year | 5,727,973 | 6,218,496 | 7,038,273 |
| End of Year | <u>\$ 6,218,496</u> | <u>\$ 7,038,273</u> | <u>\$ 7,750,994</u> |
| Net OPEB Liability | <u>\$ 4,774,637</u> | <u>\$ 4,963,332</u> | <u>\$ 6,748,770</u> |
| Fiduciary Net Position as a percentage of Total OPEB Liability | 56.57% | 58.64% | 53.46% |
| Covered Payroll² | \$ 6,850,169 | \$ 7,307,632 | \$ 6,603,902 |
| Net OPEB Liability as a percentage of Covered Payroll | 69.70% | 67.92% | 102.19% |

1Historical 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.

²The 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 Years¹

Other Postemployment Benefits ("OPEB")

| Fiscal year end | <u>2017-2018</u> | <u>2018-2019</u> | <u>2019-2020</u> | <u>2020-2021</u> | <u>2021-2022</u> |
|---|------------------|------------------|-------------------|------------------|--------------------|
| Actuarially Determined | | | | | |
| Employer Contribution ² | \$ 585,582 | \$ 613,218 | \$ 631,614 | \$ 595,227 | \$ 611,596 |
| Contributions in relation to the actuarially determined contribution | <u>(585,582)</u> | <u>(529,726)</u> | <u>(457,597)</u> | <u>(592,075)</u> | <u>(667,236)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ 83,492</u> | <u>\$ 174,017</u> | <u>\$ 3,152</u> | <u>\$ (55,640)</u> |
| 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 ² | 9.63% | 8.20% | 7.09% | 8.96% | 9.79% |

¹ 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.

²The 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

Last Ten Fiscal Years

Other Postemployment Benefits ("OPEB") (Continued)

| Fiscal year end | <u>2022-2023</u> | <u>2023-2024</u> | <u>2024-2025</u> |
|-------------------------------------|--------------------|--------------------|--------------------|
| Actuarially Determined | | | |
| Employer Contribution ² | \$ 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 ² | 10.37% | 10.20% | 12.05% |

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December 29, 2025

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

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.

- 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,

A handwritten signature in black ink that reads "The PwC Group, LLP". The signature is written in a cursive, flowing style.

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.

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.

A handwritten signature in black ink that reads "The PwC Group, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California
December 29, 2025

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

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

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.

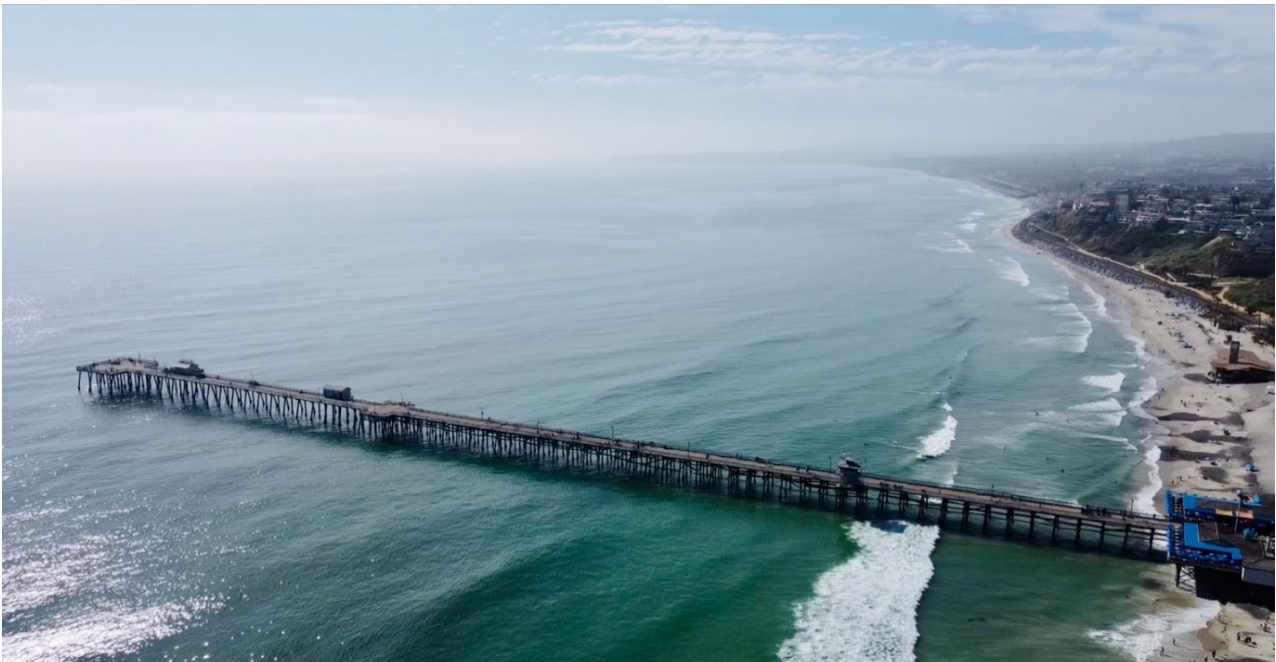


Santa Ana, California
December 29, 2025



South Orange County Wastewater Authority

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 |
| \$22,395,101 | \$21,469,716 | \$925,385 | \$254,372 | (\$364,889) | \$44,444 | \$859,313 |

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

| O&M | | | | | | | |
|--------------------------------|------------------------------|--|--------------------------------|-----------------------|--|--|---|
| | FY 2024-25 Budget | FY 2024-25 Actual¹ | (Over)/Under Budget | % Expended | Bd Approved Method FY 24-25 | Bd Approved Method FY 23-24 | % Change between 2025 and 2024 |
| UAL & OPEB | | | | | | | |
| City of Laguna Beach | \$231,081 | \$228,199 | \$2,882 | 98.75% | 10.72% | 10.76% | -0.04% |
| City of San Clemente | 15,088 | 14,900 | 188 | 98.75% | 0.70% | 0.71% | -0.01% |
| El Toro Water District | 74,095 | 73,171 | 924 | 98.75% | 3.44% | 3.41% | 0.03% |
| Emerald Bay Service District | 10,152 | 10,025 | 127 | 98.75% | 0.47% | 0.48% | 0.00% |
| IRWD (c.o. El Toro W.D.) | 16,101 | 15,900 | 201 | 98.75% | 0.75% | 0.74% | 0.00% |
| Moulton Niguel Water District | 948,020 | 936,196 | 11,824 | 98.75% | 43.99% | 43.74% | 0.24% |
| Santa Margarita Water District | 452,003 | 446,365 | 5,638 | 98.75% | 20.97% | 21.08% | -0.11% |
| South Coast Water District | 408,719 | 403,621 | 5,098 | 98.75% | 18.96% | 19.08% | -0.11% |
| Total | \$2,155,259 | \$2,128,377 | \$26,882 | 98.75% | 100.00% | 100.00% | 0.00% |

¹The 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 | <u>2,128,377</u> |

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

| | O&M | | | |
|--------------------------------|----------------------|----------------------|------------------------|---------------|
| | FY 2024-25 Budget | FY 2024-25 Actual | (Over)/Under Budget | % Expended |
| Member Agency | | | | |
| 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% |
| Total Member Agency | \$21,613,791 | \$16,870,918 | \$4,742,873 | 78.1% |

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% |
| Total Allocation Percentages | 100.0% | 100.00% | 0.0% |

| | | | |
|---|------------------|------------------|-----------------|
| Residual Engineering Expenses | 227,291 | 136,664 | 90,627 |
| Administration Expenses | 2,346,107 | 2,333,756 | 12,351 |
| Less General Fund² | (584,565) | (547,733) | (36,832) |
| Total Administration and Residual Engineering Expenses | 1,988,833 | 1,922,688 | 66,145 |

Member Agency Administration and Residual Engineering Expenses and Percent Change Year over Year²

| | O&M | | | |
|---|----------------------|----------------------|------------------------|---------------|
| | FY 2024-25 Budget | FY 2024-25 Actual | (Over)/Under Budget | % Expended |
| 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% |
| Total Administration and Residual Engineering Expenses² | 1,988,833 | 1,922,688 | 66,145 | 96.7% |

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% |
| Total Member Agency (3) | 584,565 | 100.0% | 547,733 | 93.7% |

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

| | O&M | | | |
|---|----------------------|----------------------|------------------------|---------------|
| | FY 2024-25 Budget | FY 2024-25 Actual | (Over)/Under Budget | % Expended |
| *Member Agency Administration, Residual Engineering and General Fund Expenses and Change | | | | |
| City of Laguna Beach | 265,580 | 278,915 | (13,334) | 105.0% |
| City of San Clemente | 99,675 | 94,775 | 4,900 | 95.1% |
| El Toro Water District | 170,678 | 134,307 | 36,371 | 78.7% |
| Emerald Bay Service District | 92,695 | 88,575 | 4,120 | 95.6% |
| IRWD (c.o. El Toro W.D.) | 13,581 | 13,767 | (186) | 101.4% |
| Moulton Niguel Water District | 908,980 | 728,383 | 180,596 | 80.1% |
| Santa Margarita Water District | 548,119 | 639,369 | (91,249) | 116.6% |
| South Coast Water District | 474,090 | 492,330 | (18,241) | 103.8% |
| Total Member Agency | 2,573,398 | 2,470,421 | 102,977 | 96.0% |

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

| | O&M | | | |
|--------------------------------|----------------------|----------------------|------------------------|---------------|
| | FY 2024-25 Budget | FY 2024-25 Actual | (Over)/Under Budget | % Expended |
| City of Laguna Beach | 2,244,251 | 2,039,699 | 204,552 | 90.9% |
| City of San Clemente | 275,363 | 239,798 | 35,564 | 87.1% |
| El Toro Water District | 1,117,992 | 626,211 | 491,782 | 56.0% |
| Emerald Bay Service District | 192,516 | 179,193 | 13,323 | 93.1% |
| IRWD (c.o. El Toro W.D.) | 161,172 | 134,564 | 26,607 | 83.5% |
| Moulton Niguel Water District | 9,879,840 | 6,433,099 | 3,446,741 | 65.1% |
| Santa Margarita Water District | 5,597,303 | 5,563,010 | 34,293 | 99.4% |
| South Coast Water District | 4,718,752 | 4,125,764 | 592,988 | 87.4% |
| Total | 24,187,189 | 19,341,339 | 4,845,850.43 | 80.0% |

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% |
| Total | \$2,155,259 | \$2,128,377 | \$26,882 | 98.8% |

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% |
| Total O&M Budget | \$26,342,448 | \$21,469,716 | \$4,872,732 | 81.5% |

Amount Invoiced¹

| | | | |
|---------------------|---------------------|-------------------|--------------|
| \$22,395,101 | \$21,469,716 | -\$925,385 | 95.9% |
|---------------------|---------------------|-------------------|--------------|

¹ 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 | 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 |
|----------------------|----------------------|------------------------|------------------------------|------------------------------|-------------------------------|--------------------------------|----------------------------|-------|
|----------------------|----------------------|------------------------|------------------------------|------------------------------|-------------------------------|--------------------------------|----------------------------|-------|

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 | 32,733 | 214,650 |
| PC 12 SO- Water Reclamation Permits | - | - | - | - | - | 33,657 | 49,503 | 15,101 | 98,262 |
| PC 15 - Coastal Treatment Plant/AWT | 1,311,275 | - | - | 65,434 | - | 211,409 | - | 1,506,897 | 3,095,015 |
| PC 17 - Joint Regional Wastewater Reclamation | 371,345 | - | 384,500 | 16,221 | - | 3,627,109 | - | 268,337 | 4,667,511 |
| 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 | 618,131 |
| Total | \$1,760,785 | \$145,023 | \$491,903 | \$90,619 | \$120,797 | \$5,704,716 | \$4,923,641 | \$3,633,433 | \$16,870,918 |

| | | | | | | | | | |
|--|-----------|----------|-----------|----------|----------|-----------|-----------|-----------|-------------|
| Total Admin, General Fund & Engineering | \$278,915 | \$94,775 | \$134,307 | \$88,575 | \$13,767 | \$728,383 | \$639,369 | \$492,330 | \$2,470,421 |
|--|-----------|----------|-----------|----------|----------|-----------|-----------|-----------|-------------|

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% |
| Total | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |

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 |
| Total | \$278,915 | \$94,775 | \$134,307 | \$88,575 | \$13,767 | \$728,383 | \$639,369 | \$492,330 | \$2,470,421 |

**South Orange County Wastewater Authority
FY 2024-25 Use Audit by Project Committee and 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 |
|---|----------------------|----------------------|------------------------|------------------------------|------------------------------|-------------------------------|--------------------------------|----------------------------|---------------------|
| O&M USE AUDIT by Project Committee & Member Agency | | | | | | | | | |
| 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 |
| Total | \$2,039,699 | \$239,798 | \$626,211 | \$179,193 | \$134,564 | \$6,433,099 | \$5,563,010 | \$4,125,764 | \$19,341,339 |

UAL & OPEB USE AUDIT by Project Committee & Member Agency

| | | | | | | | | | |
|---|------------------|-----------------|-----------------|-----------------|-----------------|------------------|------------------|------------------|--------------------|
| 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 |
| Total | \$228,199 | \$14,900 | \$73,171 | \$10,025 | \$15,900 | \$936,196 | \$446,365 | \$403,621 | \$2,128,377 |
| | 10.72% | 0.70% | 3.44% | 0.47% | 0.75% | 43.99% | 20.97% | 18.96% | 100.00% |

Total USE AUDIT by Project Committee & Member Agency

| | | | | | | | | | |
|---|------------------|----------------|----------------|----------------|----------------|------------------|------------------|------------------|-------------------|
| 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 |
| Total | 2,267,898 | 254,699 | 699,381 | 189,219 | 150,464 | 7,369,295 | 6,009,375 | 4,529,385 | 21,469,716 |

Budget Amount Invoiced

| | | | | | | | | | |
|---|--------------------|------------------|------------------|------------------|------------------|--------------------|--------------------|--------------------|---------------------|
| 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 | 9,452 | 129,332 | 170,024 | - | 100,341 | 880,664 |
| *Total | \$2,230,996 | \$289,184 | \$905,283 | \$229,822 | \$181,998 | \$6,360,750 | \$6,083,580 | \$6,113,488 | \$22,395,101 |

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

USE AUDIT Entry

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 |
| Total | (\$36,902) | \$34,485 | \$205,902 | \$40,603 | \$31,534 | (\$1,008,545) | \$74,205 | \$1,584,103 | \$925,385 |

South Orange County Wastewater Authority
Preliminary O & M & Environmental Safety Costs Summary¹
For the Period Ended June 30, 2025
(in dollars)

| | | FY 2024-25 Budget | Actual | (Over)/Under Budget | % Expended | |
|--------------------------|---|------------------------------|---------------|--------------------------------|-----------------------|-----|
| Salary and Fringe | | | | | | |
| **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% | |
| Other Expenses | | | | | | |
| **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 Summary¹
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-**-*** | MNWD 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% | |
| Total O&M Expenses | | 21,613,791 | 16,870,918 | 4,742,873 | 78.1% | |

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)

| | | FY 2024-25 Budget | Actual | (Over)/Under Budget | % Expended |
|--------------------------|-------------------------------------|------------------------------|----------------|--------------------------------|-----------------------|
| 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 | 178,237 | 78,444 | 99,792 | 44.0% |
| 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 | (15,550) | 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 | 49,054 | 58,220 | (9,166) | 118.7% |
| | Total Engineering Expenses | 227,291 | 136,664 | 90,627 | 60.1% |

Exhibit B-3

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

| | | FY 2024-25 Budget | Actual | (Over)/Under Budget | % Expended |
|------------------|-------------------------------------|------------------------------|------------------|--------------------------------|-----------------------|
| 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% |
| | Total Payroll Costs | 1,726,707 | 1,548,686 | 178,021 | 89.7% |
| Other Expenses | | | | | |
| 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% |
| | Total Other Expenses | 619,400 | 785,070 | (165,670) | 126.7% |
| | Total Admin Expenses | 2,346,107 | 2,333,756 | 12,351 | 99.5% |

(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)**

| | | Finance Committee Recommended General Fund %'s | FY 2024-25 Budget | FY 2024-25 Actual | (Over)/Under Budget | % Expended |
|------------------------------------|-------------------------------------|--|----------------------|----------------------|------------------------|---------------|
| 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% |
| Total General Fund Expenses | | | \$584,565 | \$547,733 | \$48,607 | 93.7% |

| Time Allocation | | |
|-----------------|---------------------|-----|
| (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)

| | | FY 2024-25 Budget | Actual | (Over)/Under Budget | % Expended |
|----------------------------|---|------------------------------|----------------|--------------------------------|-----------------------|
| Salary & Fringe | | | | | |
| 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% |
| | Total Salary & Fringe | 204,558 | 205,733 | (1,175) | 100.6% |
| Other Expenses | | | | | |
| 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% |
| | Total Other Expenses | 682,627 | 531,639 | 150,987 | 77.9% |
| | Total Expenses before Allocation | 887,185 | 737,372 | 149,813 | 83.1% |

(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

| PC2 - JB Latham Plant | | | | |
|--|-------------------------------------|----------------------------------|---|-----------------------------|
| Liquids Summary (mgd) | | | | |
| 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% |
| Solids Summary Loading (mgd) | | | | |
| 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

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

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

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

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

| PC 17 Liquids Regional Treatment Plant FY 2024-2025 | | | | |
|--|-------------------------|----------------------------|-------------------------|------------------------|
| Member Agency | Plant Flow (MGD) | Centrate Flow (MGD) | Total Flow (MGD) | Liquid Flow (%) |
| CLB | 0 | 0.012 | 0.012 | 0.17% |
| EBS | 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% |
| Total | 7.05 | 0.09 | 7.14 | 100% |

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

South Orange County Wastewater Authority
PC 2 - JB Latham 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) | | | | | | | | | | | | | | |
|----------------------------------|--------------------|----------------|--------------------|--------------------|----------------|--------------------|--------------------|-----------------|--------------------|--------------------|-----------------|--------------------|--------------------|----------------|
| 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 |
| 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 |
| 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) |
| 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 |
| 2,890,147 | 2,747,526 | 142,622 | 3,566,073 | 3,257,515 | 308,558 | 690,969 | 767,156 | (76,187) | 690,969 | 767,156 | (76,187) | 7,838,158 | 7,539,353 | 298,805 |
| | | | | | | | | | | | | | | |
| | | | 4.9% | | | 8.7% | | | -11.0% | | | -11.0% | | |
| | | | | | | | | | | | | 3.8% | | |

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

Moulton Niguel Water District
Santa Margarita Water District
South Coast Water District

Total

| 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 |
| 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% |
| 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% |
| 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% |
| 100.0% | 100.0% | 0.0% | 100.0% | 100.0% | 0.0% | 100.0% | 100.0% | 0.0% | 100.0% | 100.0% | 0.0% | 100.0% | 100.0% | 0.0% |

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 | (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 |
| | | | | | | |
| | | | | | | |
| City of San Clemente | 115,310 | 106,035 | 9,275 | 115,310 | 106,035 | 9,275 |
| Moulton Niguel Water District | 107,609 | 98,953 | 8,655 | 107,609 | 98,953 | 8,655 |
| Santa Margarita Water District | 384,366 | 353,450 | 30,916 | 384,366 | 353,450 | 30,916 |
| South Coast Water District | 86,517 | 79,558 | 6,959 | 86,517 | 79,558 | 6,959 |
| Total | 693,802 | 637,996 | 55,806 | 693,802 | 637,996 | 55,806 |
| Net Budget Variance | 8.0% | | | 8.0% | | |

| Member Agency Wastewater Code Allocation %'s | Fixed | | | Total | | |
|--|-----------------|-----------------|-------------|-----------------|-----------------|-------------|
| | FY 24-25 Budget | FY 24-25 Actual | Variance | FY 24-25 Budget | FY 24-25 Actual | Variance |
| City of San Clemente | 16.6% | 16.6% | 0.0% | 16.6% | 16.6% | 0.0% |
| Moulton Niguel Water District | 15.5% | 15.5% | 0.0% | 15.5% | 15.5% | 0.0% |
| Santa Margarita Water District | 55.4% | 55.4% | 0.0% | 55.4% | 55.4% | 0.0% |
| South Coast Water District | 12.5% | 12.5% | 0.0% | 12.5% | 12.5% | 0.0% |
| Total | 100.0% | 100.0% | 0.0% | 100.0% | 100.0% | 0.0% |

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

Member Agency Budget by Wastewater Code

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

Net Budget Variance

| (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 |
| 949 | 881 | 68 | 18,194 | 2,951 | 15,244 | 19,143 | 3,832 | 15,311 |
| 949 | 881 | 68 | 59,428 | 14,373 | 45,055 | 60,377 | 15,254 | 45,123 |
| 949 | 881 | 68 | 4,629 | 1,428 | 3,201 | 5,578 | 2,309 | 3,269 |
| 949 | 881 | 68 | 3,768 | 1,113 | 2,655 | 4,717 | 1,994 | 2,723 |
| 949 | 881 | 68 | 41,018 | 10,182 | 30,836 | 41,967 | 11,063 | 30,904 |
| 949 | 881 | 68 | 67,503 | 15,662 | 51,841 | 68,452 | 16,543 | 51,909 |
| 1898 | 1763 | 135 | 94,526 | 26,158 | 68,367 | 96,424 | 27,921 | 68,503 |
| 949 | 881 | 68 | 46,724 | 14,311 | 32,413 | 47,673 | 15,192 | 32,481 |
| 8540 | 7931 | 609 | 335,791 | 86,178 | 249,613 | 344,331 | 94,109 | 250,222 |
| | | | 7.1% | | | 74.3% | | |
| | | | | | | 72.7% | | |

Member Agency Wastewater Code Allocation %'s

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

| 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 |
| 11.1% | 11.1% | 0.0% | 5.4% | 3.4% | 2.0% | 5.6% | 4.1% | 1.5% |
| 11.1% | 11.1% | 0.0% | 17.7% | 16.7% | 1.0% | 17.5% | 16.2% | 1.3% |
| 11.1% | 11.1% | 0.0% | 1.4% | 1.7% | -0.3% | 1.6% | 2.5% | -0.8% |
| 11.1% | 11.1% | 0.0% | 1.1% | 1.3% | -0.2% | 1.4% | 2.1% | -0.7% |
| 11.1% | 11.1% | 0.0% | 12.2% | 11.8% | 0.4% | 12.2% | 11.8% | 0.4% |
| 11.1% | 11.1% | 0.0% | 20.1% | 18.2% | 1.9% | 19.9% | 17.6% | 2.3% |
| 22.2% | 22.2% | 0.0% | 28.2% | 30.4% | -2.2% | 28.0% | 29.7% | -1.7% |
| 11.1% | 11.1% | 0.0% | 13.9% | 16.6% | -2.7% | 13.8% | 16.1% | -2.3% |
| 100.0% | 100.0% | 0.0% | 100.0% | 100.0% | 0.0% | 100.0% | 100.0% | 0.0% |

**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 |
| 137,473 | 49,131 | 88,342 | 137,473 | 49,131 | 88,342 | 274,945 | 98,262 | 176,684 |
| | | | 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% |
| 100.0% | 100.0% | 0.0% | 100.0% | 100.0% | 0.0% | 100.0% | 100.0% | 0.0% |

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

**Member Agency Budget by
Wastewater Code**

El Toro Water District
Emerald Bay Service District
Moulton Niguel Water District
South Coast Water District

Total

Net Budget Variance

| (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) |
| 38,441 | 43,824 | (5,383) | 24,645 | 21,611 | 3,034 | - | - | - | 63,085 | 65,434 | (2,349) |
| - | - | | 241,088 | 211,409 | 29,679 | - | - | - | 241,088 | 211,409 | 29,679 |
| 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 |
| 1,715,365 | 1,767,078 | (51,713) | 824,232 | 722,765 | 101,468 | 716,814 | 605,172 | 111,642 | 3,256,411 | 3,095,015 | 161,397 |
| -3.0% | | | 12.3% | | | 15.6% | | | 5.0% | | |

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

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

Total

| 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% |
| 2.2% | 2.5% | -0.2% | 3.0% | 3.0% | 0.0% | 0.0% | 0.0% | 0.0% | 1.9% | 2.1% | -0.2% |
| 0.0% | 0.0% | 0.0% | 29.2% | 29.2% | 0.0% | 0.0% | 0.0% | 0.0% | 7.4% | 6.8% | 0.6% |
| 41.1% | 38.8% | 2.3% | 29.8% | 29.9% | 0.0% | 100.0% | 100.0% | 0.0% | 51.2% | 48.7% | 2.5% |
| 100.0% | 100.0% | 0.0% | 100.0% | 100.0% | 0.0% | 100.0% | 100.0% | 0.0% | 100.0% | 100.0% | 0.0% |

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

| (Over)/Under Budget (in dollars) | | | | | | | | | | | | | | | | | | |
|---|-----------------|-----------|-----------------|-----------------|-----------|-----------------|-----------------|----------|-----------------|-----------------|----------|-----------------|-----------------|----------|-----------------|-----------------|-----------|-----------|
| 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 | |
| Member Agency Budget by Wastewater Code | | | | | | | | | | | | | | | | | | |
| City of Laguna Beach | 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 |
| El Toro Water District | 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 |
| Emerald Bay Service District | 202 | 118 | 84 | 22,476 | 13,520 | 8,957 | - | - | - | - | - | - | 4,113 | 2,582 | 1,530.52 | 26,792 | 16,221 | 10,571 |
| Moulton Niguel Water District | 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 |
| South Coast Water District | 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 |
| Total | 2,733,899 | 1,464,913 | 1,268,986 | 4,318,231 | 2,112,743 | 2,205,488 | 87,737 | 208,688 | (120,951) | 698,955 | 438,458 | 260,496 | 697,109 | 437,716 | 259,393.08 | 8,535,931 | 4,662,518 | 3,873,413 |
| Net Budget Variance | 46.4% | | 51.1% | | | -137.9% | | | 37.3% | | | 37.2% | | | 45.4% | | | |

| Member Agency Wastewater Code Allocation %'s | 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 |
| | | | | | | | | | | | | | | | | | | |
| City of Laguna Beach | 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% |
| El Toro Water District | 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% |
| Emerald Bay Service District | 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% |
| Moulton Niguel Water District | 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% |
| South Coast Water District | 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% |
| Total | 100.0% | 100.0% | 0.0% | 100.0% | 100.0% | 0.0% | 100.0% | 100.0% | 0.0% | 100.0% | 100.0% | 0.0% | 100.0% | 100.0% | 0.0% | 100.0% | 100.0% | 0.0% |

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) |
| 57,500 | 84,295 | (26,794) | 57,500 | 84,294 | (26,794) |
| | | -46.6% | | | -46.6% |

**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% |
| 100.0% | 100.0% | 0.0% | 100.0% | 100.0% | 0.0% |

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

PC2 JB Latham
PC 15 Coastal Treatment Plant
PC 17 Joint Regional Wastewater Reclamation
Total Small Capital Cash

| CLB | ETWD | EBSD | MNWD | SMWD | SCWD | Total |
|-----------|----------|---------|----------|-----------|----------|-----------|
| | | | | 129,934 | 26,068 | 156,003 |
| (19,055) | | 2,875 | 44,223 | | (12,080) | 15,963 |
| 9,423 | 16,166 | 489 | 48,835 | | 7,493 | 82,406 |
| (\$9,631) | \$16,166 | \$3,364 | \$93,059 | \$129,934 | \$21,481 | \$254,372 |

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

PC2 JB Latham
PC 15 Coastal Treatment Plant
Total Large Capital Cash Due To/(Due From)

| CLB | EBS | MNWD | SMWD | SCWD | Total |
|-------------------|------------------|--------------------|-------------------|-------------------|--------------------|
| | | (91,425) | (42,199) | (34,432) | (168,056) |
| (80,092) | (6,289) | (47,388) | | (63,064) | (196,833) |
| (\$80,092) | (\$6,289) | (\$138,813) | (\$42,199) | (\$97,495) | (\$364,889) |

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

PC2 JB Latham
PC 15 Coastal Treatment Plant
PC 17 Joint Regional Wastewater Reclamation
PC 21 Effluent Transmission Main
Total Non-Capital Cash

| CLB | ETWD | EBSD | SMWD | SCWD | Total |
|----------|---------|-------|--------|---------|----------|
| | | | 20,188 | 12,174 | 32,362 |
| (13,692) | | (558) | | (5,789) | (20,039) |
| 2,560 | 4,595 | 135 | | 31,711 | 39,001 |
| | (6,880) | | | | (6,880) |
| (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

Budgeted: N/A

Legal Counsel Review: Yes

Meeting Date: January 20, 2026

TO: Finance Committee

FROM: Amber Boone, SOCWA General Manager

SUBJECT: Internal Controls Review

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

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

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



Rachael Sanders, CEBS
Vice President, Consulting
(800) 540-6369 x121
rsanders@pars.org

Alexandra Irving
Client Services Coordinator
(800) 540-6369 x105
airving@pars.org



J. Keith Stribling, CFA
Senior Portfolio Manager
(949) 966-3373
james.stribling@pfmam.com

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*

PARS

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

usbank

- 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

pfm asset
management

- 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

- 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

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

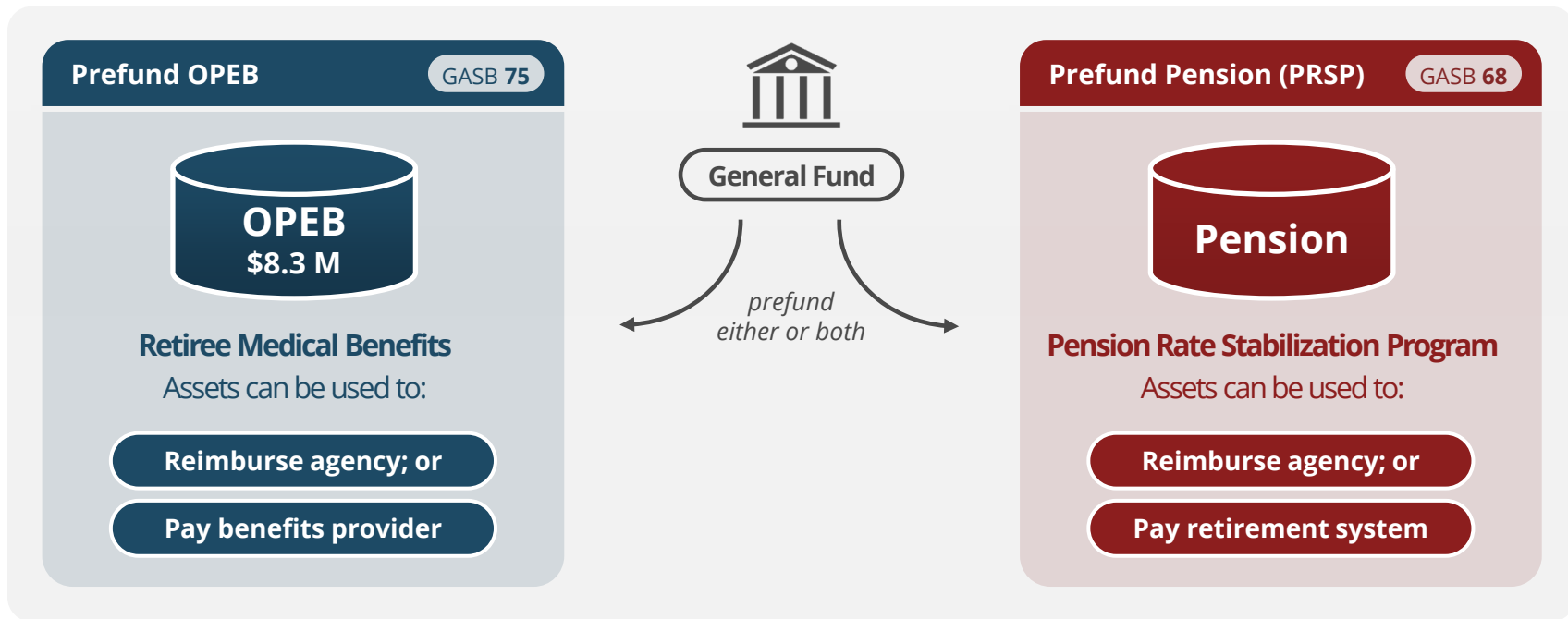
A locally designed retirement plan offered in addition to PERS or 37-Act retirement system with the goal of attracting and retaining select employees to the Agency.

5 Accumulated Leave Plan

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

115 Combo Trust

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

- 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

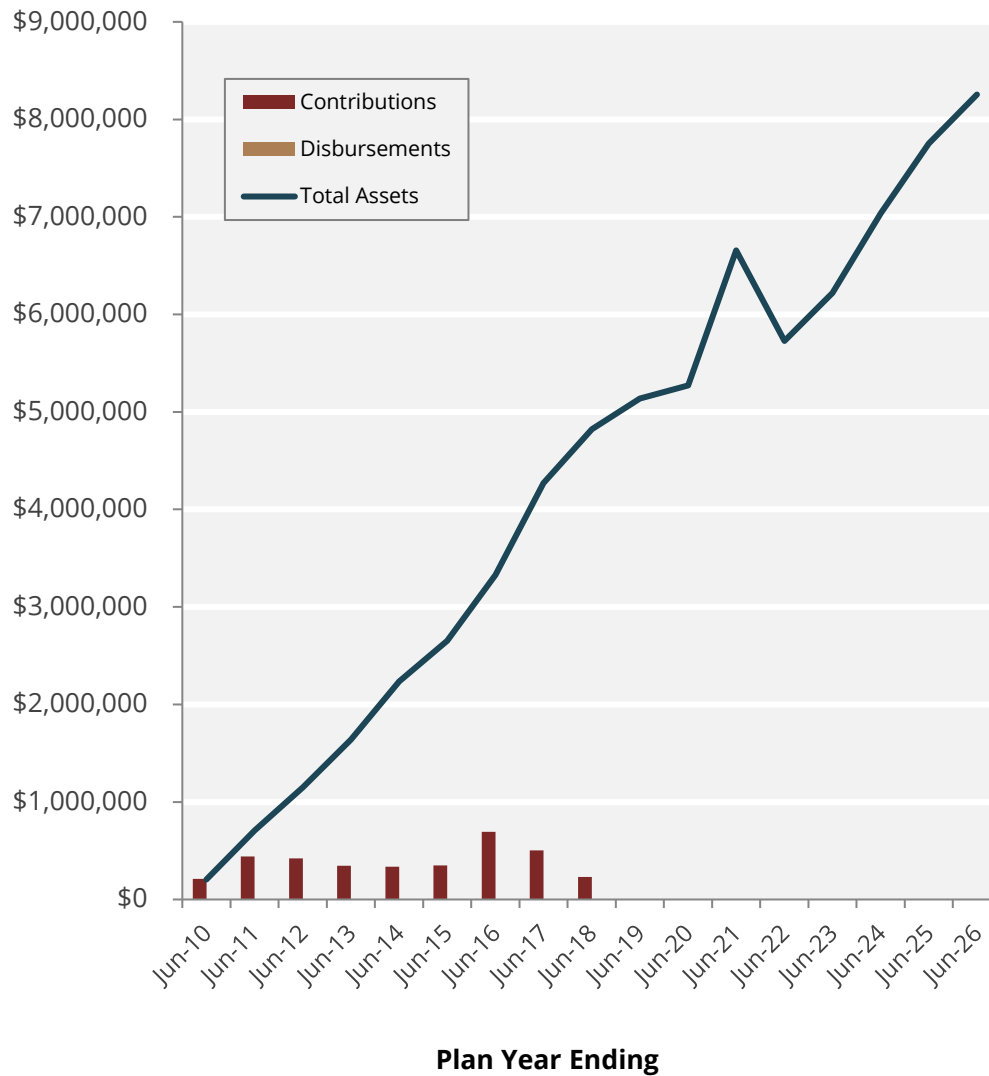
| | |
|-------------------------------------|---|
| Plan Type: | IRC Section 115 Irrevocable Exclusive Benefit Trust |
| Trustee Approach: | Discretionary |
| Plan Effective Date: | August 6, 2009 |
| Plan Administrator: | General Manager |
| Current Investment Strategy: | Balanced Strategic Blend; Pooled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

AS OF NOVEMBER 30, 2025:

| | |
|----------------------------------|--------------------------|
| Initial Contribution: | December 2009: \$211,652 |
| Additional Contributions: | \$3,326,955 |
| Total Contributions: | \$3,538,607 |
| Disbursements: | \$0 |
| Net Investment Earnings: | \$4,716,035 |
| Account Balance: | \$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

- 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.

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

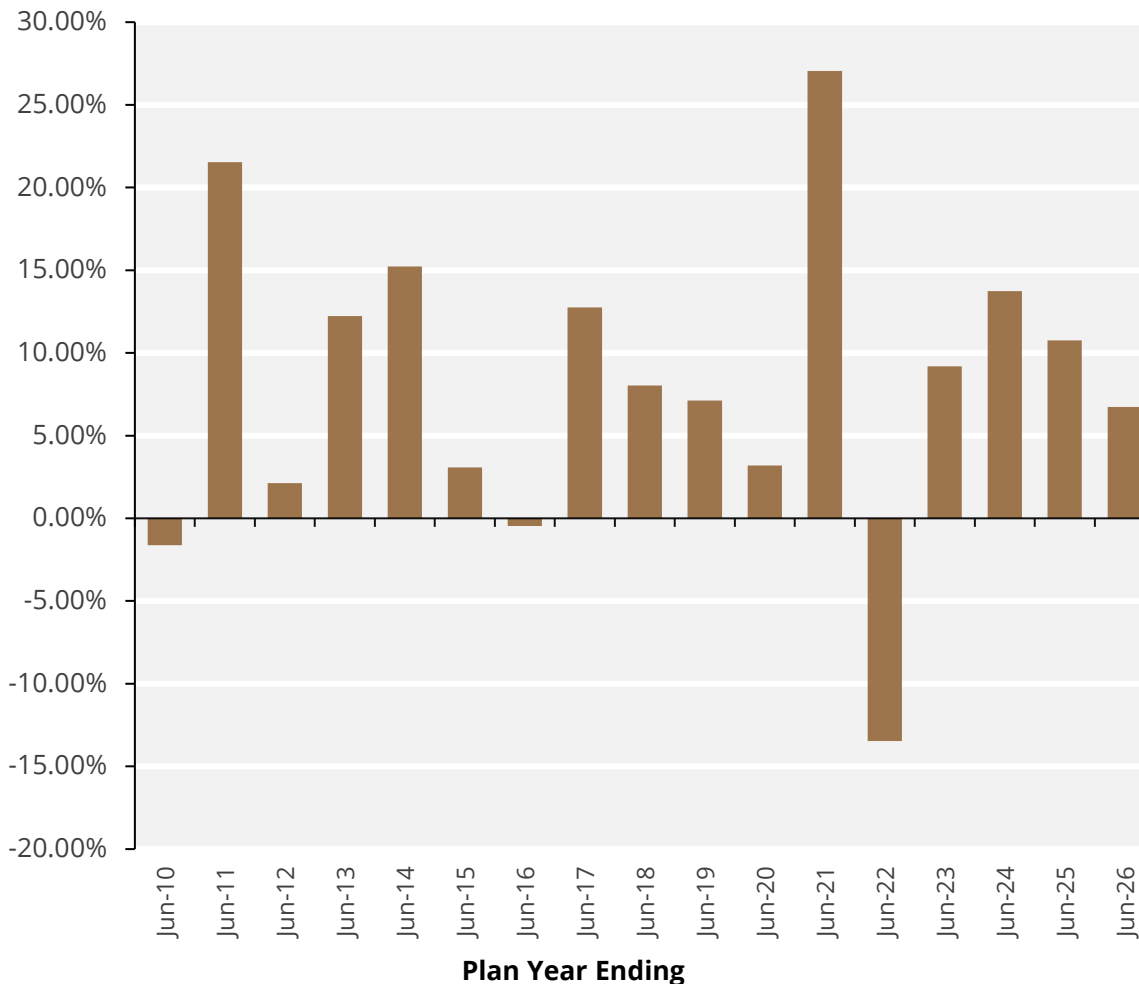
OPEB ACTUARIAL RESULTS

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

PFM Asset Management

1 California Street
Suite 1000
San Francisco, CA 94111

1735 Market Street
43rd Floor
Philadelphia, PA 19103

About PFM Asset Management*

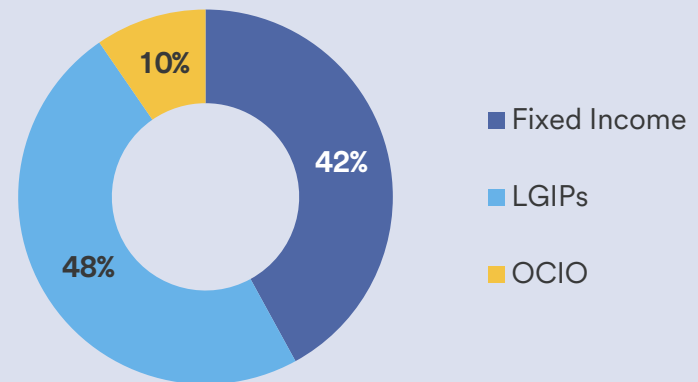
Our Investment Solutions

- **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 Solution¹



¹Illustrates 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

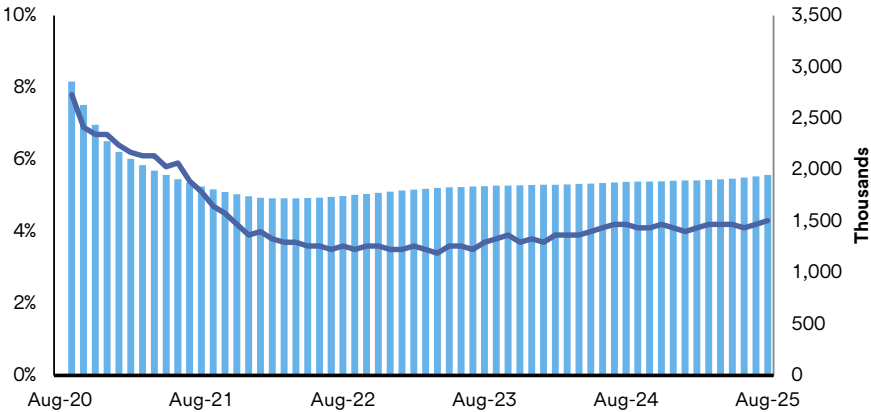
| Index or Average Name | QTD | YTD | One Year | Three Year | Five Year | Seven Year | Ten Year |
|---|--------|--------|----------|------------|-----------|------------|----------|
| DOMESTIC EQUITY | | | | | | | |
| S&P 500 (TR) | 8.12% | 14.83% | 17.60% | 24.91% | 16.46% | 14.44% | 15.29% |
| Russell 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% |
| INTERNATIONAL EQUITY | | | | | | | |
| 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% |
| LISTED REAL ASSETS | | | | | | | |
| 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% |
| FIXED INCOME | | | | | | | |
| 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% |
| CASH EQUIVALENT | | | | | | | |
| 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

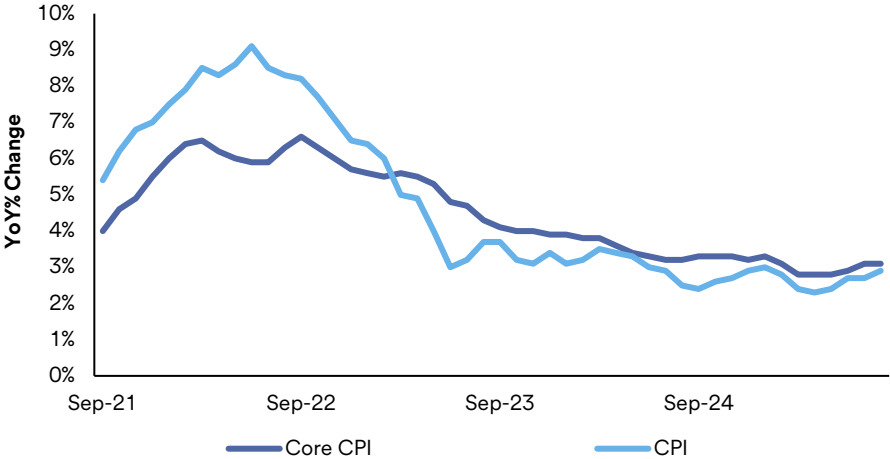
- In the second quarter, U.S. real gross domestic product (GDP) grew at a seasonally adjusted annualized rate of 3.8%, marking the strongest growth since Q3 2023. This rebound in growth was supported by an uptick in consumer spending and business investment. While the data still points to some moderation 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.

U.S. Unemployment and Monthly Average Continued Claims



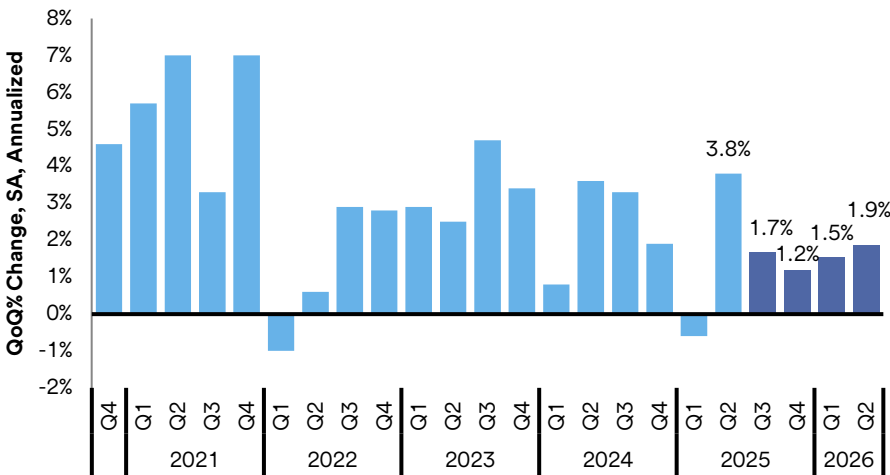
Source: Bloomberg.

U.S. Inflation Rate
Seasonally Adjusted (SA)



Source: Bureau of Labor Statistics.

U.S. GDP Growth

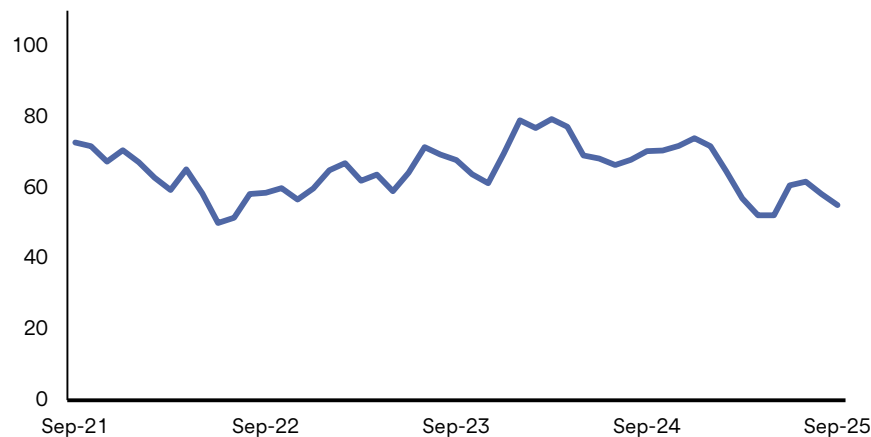


Source: Bloomberg. Light blue bars indicate actual numbers; dark blue bars indicate fore-casted estimates.

WHAT WE'RE WATCHING

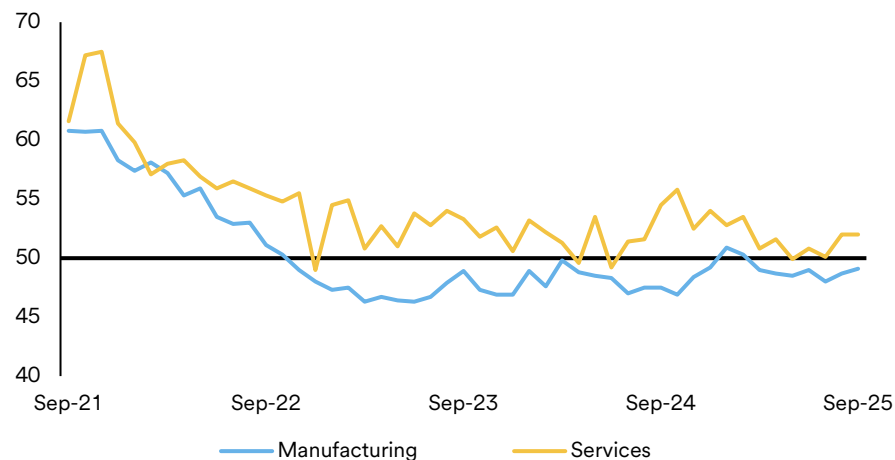
- The Federal Reserve (Fed) cut rates in the third quarter by a quarter percentage point, prompted by increasing weakness in the labor market. The Fed also signaled that two more quarter-percentage-point rate reductions are likely before the end of the year. However, with inflation above the 2% policy 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



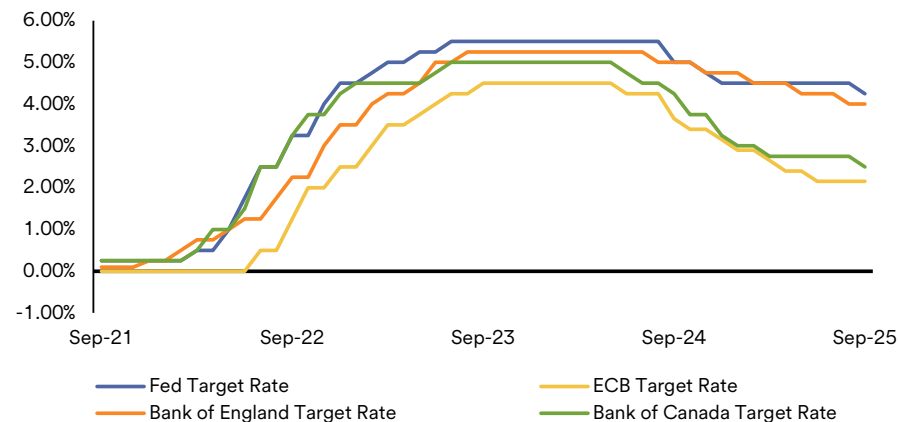
Source: Bloomberg.

U.S. ISM Manufacturing & Services PMI



Source: Bloomberg.

Global Central Bank Rates



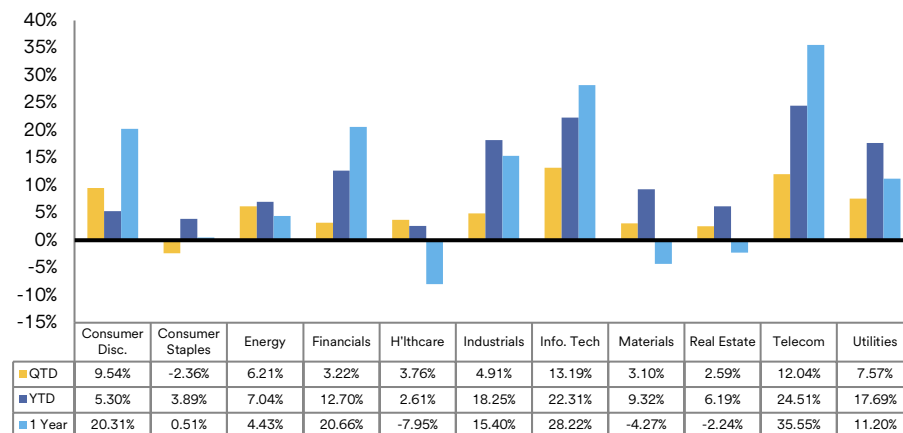
Source: Bloomberg.

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.

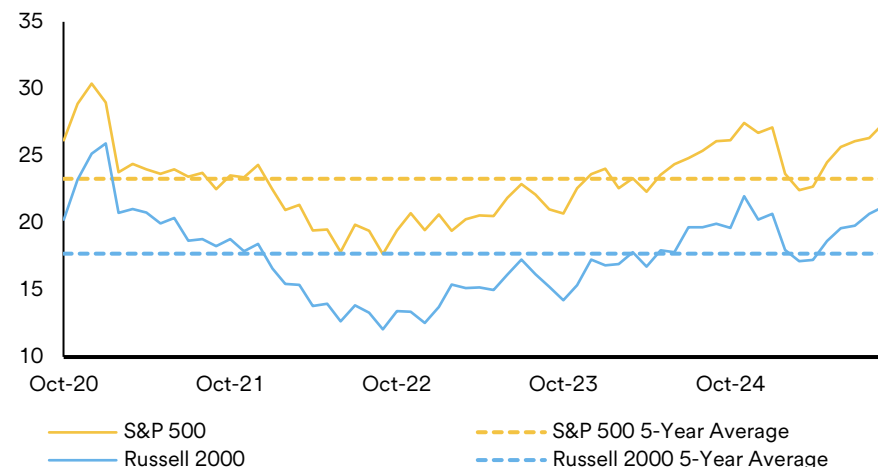
S&P 500 Index Performance by Sector

Periods Ended September 30, 2025



Source: Bloomberg.

P/E Ratios of Major Stock Indices*



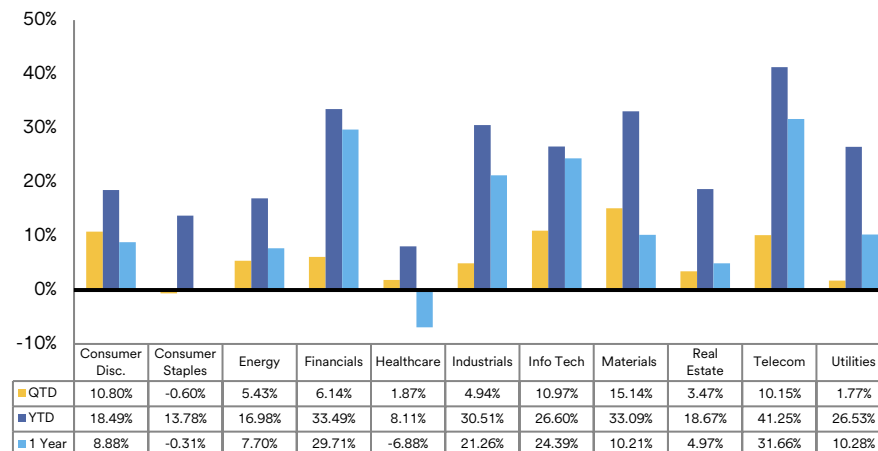
Source: Bloomberg.

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

INTERNATIONAL EQUITY

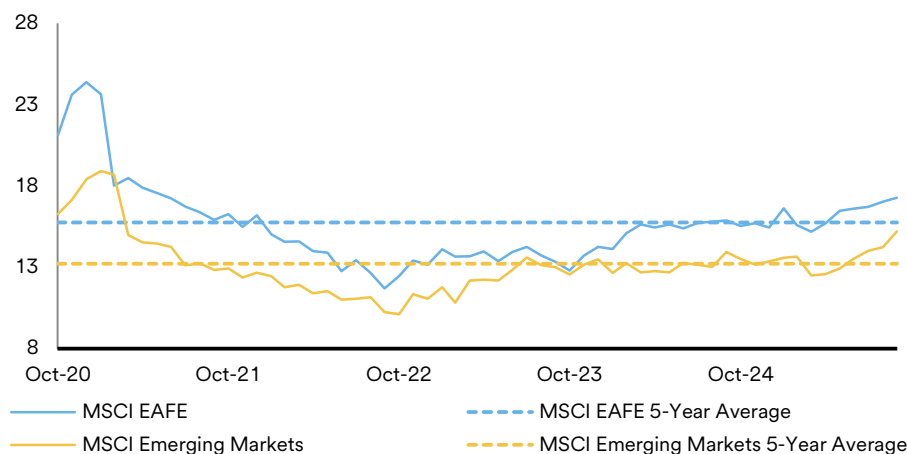
- Markets outside of the United States, as measured by the MSCI ACWI ex-U.S. Index, cooled somewhat in the third quarter returning 6.9%, just over half of the previous quarter's strong returns.
- 10 of the 11 sectors posted positive returns for the quarter. The top performing sectors were Materials (15.1%), 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.

MSCI ACWI ex-U.S. Sectors
Periods Ended September 30, 2025



Source: Bloomberg.

P/E Ratios of MSCI Equity Indices*



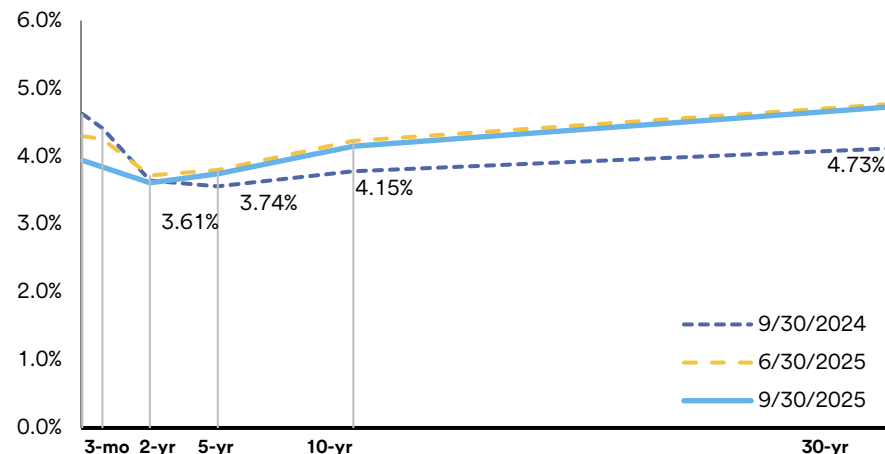
Source: Bloomberg.

*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%.

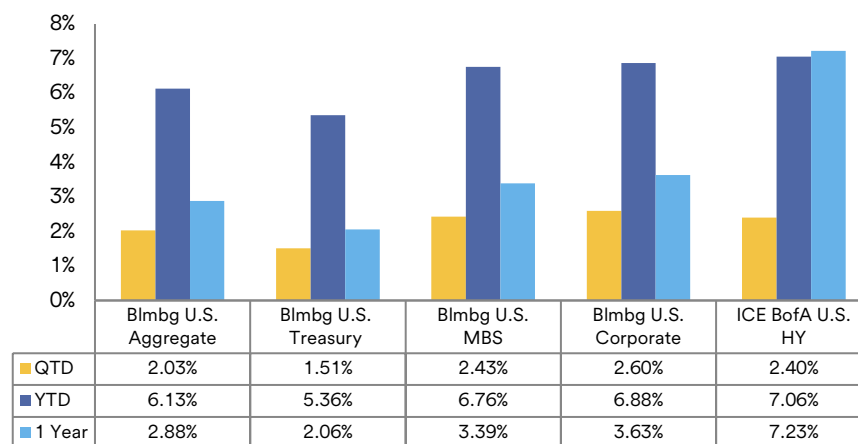
U.S. Treasury Yield Curve



Source: Bloomberg.

Returns for Fixed-Income Segments

Periods Ended September 30, 2025

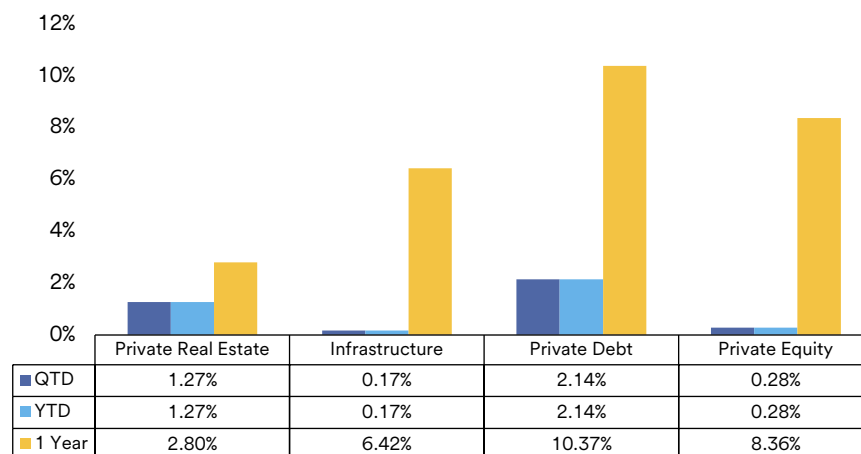


Source: Bloomberg.

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.

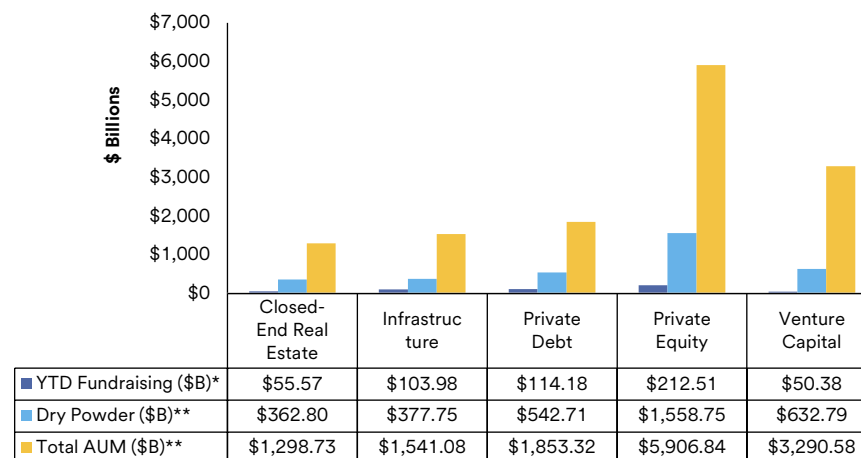
Returns for Private Capital Assets



Source: NCREIF, PitchBook.

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

Private Capital Fundraising & Dry Powder



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

Monetary Policy (Global):



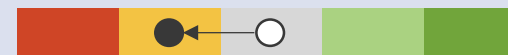
- The Fed cut rates by 25 bps in September citing rising downside risks to employment despite inflation remaining above its 2% target. Further rate cuts expected in 2025 and 2026.
- Major central banks have already eased (ECB and BOE) or are in the process of further easing (U.S. and Canada) except for the BOJ.

Economic Growth (Global):



- Resilient U.S. growth driven by robust consumer spending and elevated business investment despite growing softness in the labor market.
- 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.

Inflation (U.S.):



- 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.
- 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.

Financial Conditions (U.S.):



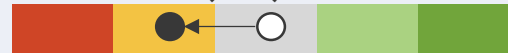
- Financial conditions eased as tariff announcements were digested, renewing market confidence which resulted in equities reaching new all-time highs and credit spreads tightening to historical lows.
- Financial conditions expected to remain tailwind as monetary policy eases.

Consumer Spending (U.S.):



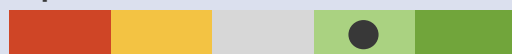
- Slower nominal wage growth combined with higher inflation has eroded real purchasing power. However, consumer activity remained resilient, driven by spending from higher income households.
- Further labor market softness, a significant correction in the equity market or higher pass-through of tariffs to goods prices remain the largest threats to consumer spending.

Labor Markets (U.S.):



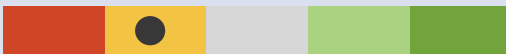
- Labor market conditions continued to cool with net new job creation nearing zero while being concentrated in just a few service sectors. Continued weakening can have impact on consumption.
- Despite some signs of cooling, the layoff rate remains low and points towards employers adopting a “no hire, no fire” approach.

Corporate Fundamentals:



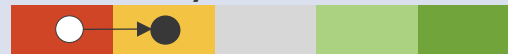
- Earnings growth expectations are positive across global equities, but expectations within U.S. positively impacted by AI spending tailwinds.
- In the U.S., capex deduction changes and rate cuts are positives while tariff/cost pressure impact on both earnings growth expectations and profit margins needs attention.

Valuations:



- U.S. equities and credit markets trade at valuations that are expensive relative to their history.
- 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.

Political/Policy Risks:



- Reconciliation bill passage, ongoing trade deals, peace progress on Israel–Hamas conflict are positives on policy front.
- Prolonged U.S. government shutdown, legal challenges to tariffs and possibility of further tariffs, Russia-Ukraine conflict are negatives.

● Current outlook
○ Outlook one quarter ago

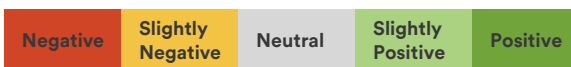
Stance Unfavorable to Risk Assets
Negative
Slightly Negative
Neutral
Slightly Positive
Positive
Stance Favorable to Risk Assets

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 |
|------------------------------|--------------------------------|---|
| U.S. Equities | | <ul style="list-style-type: none"> Equity market rally on the back of trade deals led us to maintain neutral positioning through Q3 unwinding defensive stance taken in Q2. 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. 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. |
| Large-Caps | | |
| Small-Caps | | |
| Non-U.S. Equities | | <ul style="list-style-type: none"> 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. Across Europe and China, we believe that there are structural/geopolitical issues that need to be addressed for long-term sustained outperformance. 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. |
| Developed Markets | | |
| Emerging Markets | | |
| Fixed Income | | <ul style="list-style-type: none"> Fed cut rates by 25 bps in September for the first time in 2025 and provided guidance for two more rate cuts this year. 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. 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. |
| Core Bonds | | |
| Investment Grade Credit | | |
| High Yield Credit | | |
| Diversifying Assets | | <ul style="list-style-type: none"> 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. Improving AI sentiment bodes well for data center buildout and utilities are long-term tailwinds for listed infrastructure. |
| Listed Real Estate | | |
| Listed Global Infrastructure | | |

● 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/empsit.pdf>

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

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

NCREIF

PitchBook

Cliffwater

Disclosures

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Plan Performance Summary

Asset Allocation & Performance

| | Allocation | Performance(%) | | | | | | | | Inception Date |
|--|---------------|----------------|--------------|--------------|--------------|--------------|--------------|--------------|-----------------|-------------------|
| | % | 1 Quarter | Year To Date | 1 Year | 3 Years | 5 Years | 7 Years | 10 Years | Since Inception | |
| Total Portfolio | 100.00 | 4.85 | 11.36 | 9.94 | 14.71 | 8.50 | 7.85 | 8.37 | 6.48 | 02/01/2007 |
| <i>Blended Benchmark</i> | | 5.17 | 11.04 | 10.08 | 14.80 | 8.62 | 7.96 | 8.50 | 6.72 | |
| Domestic Equity | 36.56 | 8.11 | 14.35 | 17.24 | 22.99 | 15.29 | 12.39 | 13.66 | 9.63 | 02/01/2007 |
| <i>Russell 3000 Index</i> | | 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 |
| <i>S&P 500</i> | | 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 |
| <i>S&P 500</i> | | 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 |
| <i>Russell 2000 Value Index</i> | | 12.60 | 9.04 | 7.88 | 13.56 | 14.59 | 6.40 | 9.23 | 13.46 | |
| <i>Russell 2000 Index</i> | | 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 |
| <i>Russell 2000 Growth Index</i> | | 12.19 | 11.65 | 13.56 | 16.68 | 8.41 | 6.62 | 9.90 | 13.56 | |
| <i>Russell 2000 Index</i> | | 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 |
| <i>Russell 2000 Growth Index</i> | | 12.19 | 11.65 | 13.56 | 16.68 | 8.41 | 6.62 | 9.90 | 18.57 | |
| <i>Russell 2000 Index</i> | | 12.39 | 10.39 | 10.76 | 15.21 | 11.56 | 6.76 | 9.77 | 16.02 | |
| International Equity | 18.15 | 5.60 | 24.48 | 14.54 | 19.18 | 9.19 | 7.26 | 7.95 | 4.11 | 02/01/2007 |
| <i>MSCI AC World ex USA (Net)</i> | | 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 |
| <i>MSCI AC World ex USA (Net)</i> | | 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 |
| <i>MSCI EAFE (net)</i> | | 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 |
| <i>MSCI AC World ex USA (Net)</i> | | 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 |
| <i>MSCI EM (net)</i> | | 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 185 previous Advisor and believed to be accurate and reliable.

Asset Allocation & Performance

| | Allocation | Performance(%) | | | | | | | | Inception Date |
|---|--------------|----------------|--------------|-------------|-------------|-------------|-------------|-------------|-----------------|-------------------|
| | % | 1 Quarter | Year To Date | 1 Year | 3 Years | 5 Years | 7 Years | 10 Years | Since Inception | |
| Other Growth | 5.65 | 2.17 | 11.27 | 4.41 | N/A | N/A | N/A | N/A | 10.43 | 02/01/2024 |
| 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 |
| MSCI US REIT Index | | 4.81 | 4.72 | -1.69 | 10.87 | 9.30 | 6.14 | 6.61 | 12.82 | |
| 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 |
| MSCI World Core Infrastructure Index (Net) | | 1.80 | 15.48 | 8.21 | 11.34 | 7.86 | 7.47 | 8.27 | 8.21 | |
| 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 |
| FTSE Global Core Infrastructure 50/50 Index (Net) | | 3.80 | 13.45 | 6.94 | 11.45 | 8.53 | 7.16 | 7.68 | 13.38 | |
| Fixed Income | 37.38 | 2.19 | 6.39 | 3.35 | 5.79 | 0.58 | 2.51 | 2.37 | 3.59 | 02/01/2007 |
| Blmbg. U.S. Aggregate | | 2.03 | 6.13 | 2.88 | 4.93 | -0.45 | 2.06 | 1.84 | 3.20 | |
| 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 |
| Blmbg. U.S. Aggregate | | 2.03 | 6.13 | 2.88 | 4.93 | -0.45 | 2.06 | 1.84 | 5.78 | |
| 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 |
| Blmbg. U.S. Aggregate | | 2.03 | 6.13 | 2.88 | 4.93 | -0.45 | 2.06 | 1.84 | 4.58 | |
| Voya Intermediate Bond | 3.54 | 2.11 | 6.48 | 3.52 | 6.05 | 0.31 | 2.66 | 2.59 | 3.27 | 05/01/2025 |
| Blmbg. U.S. Aggregate | | 2.03 | 6.13 | 2.88 | 4.93 | -0.45 | 2.06 | 1.84 | 2.86 | |
| 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 |
| ICE BofA US High Yield Index | | 2.40 | 7.06 | 7.23 | 10.97 | 5.53 | 5.18 | 6.07 | 9.51 | |
| Cash Equivalent | 2.26 | 1.06 | 3.22 | 4.42 | 4.59 | 2.86 | 2.46 | 1.95 | 1.23 | 01/01/2008 |
| ICE BofA 3 Month U.S. T-Bill | | 1.08 | 3.17 | 4.38 | 4.77 | 2.98 | 2.62 | 2.08 | 1.32 | |
| 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 |
| ICE BofA 3 Month U.S. T-Bill | | 1.08 | 3.17 | 4.38 | 4.77 | 2.98 | 2.62 | 2.08 | 4.80 | |

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 and provided by previous Advisor and believed to be accurate and reliable.

Calendar Year Comparative Performance

| | Performance(%) | | | | | | | | | |
|--|----------------|--------------|---------------|--------------|--------------|--------------|---------------|--------------|--------------|---------------|
| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
| Total Portfolio | 10.98 | 15.95 | -15.21 | 11.52 | 13.60 | 20.13 | -4.73 | 15.63 | 6.69 | 0.07 |
| <i>Blended Benchmark</i> | <i>11.61</i> | <i>15.19</i> | <i>-14.58</i> | <i>12.54</i> | <i>13.07</i> | <i>19.78</i> | <i>-4.18</i> | <i>13.54</i> | <i>8.39</i> | <i>-0.30</i> |
| Domestic Equity | 21.60 | 24.92 | -18.85 | 23.57 | 18.56 | 29.35 | -5.92 | 21.73 | 11.40 | 1.15 |
| <i>Russell 3000 Index</i> | <i>23.81</i> | <i>25.96</i> | <i>-19.21</i> | <i>25.66</i> | <i>20.89</i> | <i>31.02</i> | <i>-5.24</i> | <i>21.13</i> | <i>12.74</i> | <i>0.48</i> |
| 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 |
| <i>S&P 500</i> | <i>25.02</i> | <i>26.29</i> | <i>-18.11</i> | <i>28.71</i> | <i>18.40</i> | <i>31.49</i> | <i>-4.38</i> | <i>21.83</i> | <i>11.96</i> | <i>1.38</i> |
| 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> | <i>8.05</i> | <i>14.65</i> | <i>-14.48</i> | <i>28.27</i> | <i>4.63</i> | <i>22.39</i> | <i>-12.86</i> | <i>7.84</i> | <i>31.74</i> | <i>-7.47</i> |
| <i>Russell 2000 Index</i> | <i>11.54</i> | <i>16.93</i> | <i>-20.44</i> | <i>14.82</i> | <i>19.96</i> | <i>25.53</i> | <i>-11.01</i> | <i>14.65</i> | <i>21.31</i> | <i>-4.41</i> |
| 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> | <i>15.15</i> | <i>18.66</i> | <i>-26.36</i> | <i>2.83</i> | <i>34.63</i> | <i>28.48</i> | <i>-9.31</i> | <i>22.17</i> | <i>11.32</i> | <i>-1.38</i> |
| <i>Russell 2000 Index</i> | <i>11.54</i> | <i>16.93</i> | <i>-20.44</i> | <i>14.82</i> | <i>19.96</i> | <i>25.53</i> | <i>-11.01</i> | <i>14.65</i> | <i>21.31</i> | <i>-4.41</i> |
| International Equity | 4.22 | 14.07 | -15.86 | 4.69 | 14.40 | 23.68 | -15.54 | 30.22 | 3.33 | -5.23 |
| <i>MSCI AC World ex USA (Net)</i> | <i>5.53</i> | <i>15.62</i> | <i>-16.00</i> | <i>7.82</i> | <i>10.65</i> | <i>21.51</i> | <i>-14.20</i> | <i>27.19</i> | <i>4.50</i> | <i>-5.66</i> |
| 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> | <i>5.53</i> | <i>15.62</i> | <i>-16.00</i> | <i>7.82</i> | <i>10.65</i> | <i>21.51</i> | <i>-14.20</i> | <i>27.19</i> | <i>4.50</i> | <i>-5.66</i> |
| 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> | <i>3.82</i> | <i>18.24</i> | <i>-14.45</i> | <i>11.26</i> | <i>7.82</i> | <i>22.01</i> | <i>-13.79</i> | <i>25.03</i> | <i>1.00</i> | <i>-0.81</i> |
| 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> | <i>5.53</i> | <i>15.62</i> | <i>-16.00</i> | <i>7.82</i> | <i>10.65</i> | <i>21.51</i> | <i>-14.20</i> | <i>27.19</i> | <i>4.50</i> | <i>-5.66</i> |
| 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> | <i>7.50</i> | <i>9.83</i> | <i>-20.09</i> | <i>-2.54</i> | <i>18.31</i> | <i>18.42</i> | <i>-14.57</i> | <i>37.28</i> | <i>11.19</i> | <i>-14.92</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 187 previous Advisor and believed to be accurate and reliable.

Calendar Year Comparative Performance

| | Performance(%) | | | | | | | | | |
|---|----------------|-------------|---------------|--------------|-------------|-------------|--------------|-------------|-------------|-------------|
| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
| Other Growth | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| 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 |
| MSCI US REIT Index | 8.75 | 13.74 | -24.51 | 43.06 | -7.57 | 25.84 | -4.57 | 5.07 | 8.60 | 2.52 |
| 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 |
| MSCI World Core Infrastructure Index (Net) | 5.73 | 4.01 | -7.93 | 17.13 | -0.80 | 26.64 | -2.66 | 19.25 | 10.96 | -9.89 |
| NYLI CBRE Global Infrastructure | 7.68 | 3.96 | -6.08 | 15.22 | 1.17 | 28.46 | -6.56 | 20.48 | 10.13 | -4.89 |
| FTSE Global Core Infrastructure 50/50 Index (Net) | 9.53 | 2.21 | -4.87 | 14.88 | -4.06 | 25.13 | -3.99 | 18.39 | 10.87 | -8.79 |
| Fixed Income | 2.22 | 6.94 | -12.26 | -0.73 | 7.26 | 8.33 | -0.27 | 4.53 | 3.21 | 0.22 |
| Blmbg. U.S. Aggregate | 1.25 | 5.53 | -13.01 | -1.55 | 7.51 | 8.72 | 0.01 | 3.54 | 2.65 | 0.55 |
| 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 |
| Blmbg. U.S. Aggregate | 1.25 | 5.53 | -13.01 | -1.55 | 7.51 | 8.72 | 0.01 | 3.54 | 2.65 | 0.55 |
| 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 |
| ICE BofA US High Yield Index | 8.20 | 13.46 | -11.22 | 5.36 | 6.17 | 14.41 | -2.27 | 7.48 | 17.49 | -4.64 |
| Cash Equivalent | 4.73 | 4.95 | 1.48 | 0.02 | 0.35 | 2.08 | 1.72 | 0.75 | 0.27 | 0.04 |
| ICE BofA 3 Month U.S. T-Bill | 5.25 | 5.02 | 1.46 | 0.05 | 0.67 | 2.28 | 1.87 | 0.86 | 0.33 | 0.05 |
| 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 |
| ICE BofA 3 Month U.S. T-Bill | 5.25 | 5.02 | 1.46 | 0.05 | 0.67 | 2.28 | 1.87 | 0.86 | 0.33 | 0.05 |

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 and provided by previous Advisor and believed to be accurate and reliable.

Historical Hybrid Composition - PARS Balanced/Moderately Aggressive

| Allocation Mandate | Weight (%) |
|--|------------|
| Jul-2025 | |
| Russell 3000 Index | 36.0 |
| MSCI AC World ex USA (Net) | 18.0 |
| MSCI US REIT Index | 3.0 |
| MSCI World Core Infrastructure Index (Net) | 3.0 |
| Blmbg. U.S. Aggregate | 35.0 |
| ICE BofA US High Yield Index | 3.0 |
| ICE BofA 3 Month U.S. T-Bill | 2.0 |
| Oct-2012 | |
| 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 |
| Apr-2007 | |
| 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 |

| Allocation Mandate | Weight (%) |
|---------------------------|------------|
| Jul-1986 | |
| S&P 500 | 60.0 |
| Blmbg. U.S. Aggregate | 30.0 |
| ICE BofA 1-3 Yr. Gov/Corp | 5.0 |
| FTSE 1 Month T-Bill | 5.0 |

*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

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.

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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.

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ADMINISTRATIVE REVIEW

- 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

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

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

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

- Opt-In Addendum
- Agency Personnel Designation Form

employer.pars.org

GASB COMPLIANCE

- **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
Anaheim
Angels Camp
Atherton
Atwater
Bakersfield
Beaumont
Bell Gardens
Benicia
Bishop
Brea
Brentwood
Brisbane
Burlingame
Calabasas
Camarillo
Capitola
Carlsbad
Carmel
Chino Hills
Chula Vista
Claremont
Clifton
Colma

Commerce
Corcoran
Coronado
Costa Mesa
Cudahy
Cupertino
Cypress
Daly City
Dana Point
Del Rey Oaks
Desert Hot Springs
Dinuba
Duarte
Dublin
El Cajon
El Centro
El Cerrito
Elk Grove
Emeryville
Escondido
Fairfax
Fairfield
Fort Bragg
Fortuna

Foster City
Fountain Valley
Fullerton
Garden Grove
Gilroy
Glendale
Glendora
Goleta
Grand Terrace
Grass Valley
Half Moon Bay
Healdsburg
Hemet
Hercules
Hollister
Huntington Beach
Imperial Beach
Indian Wells
Indio
Ione
La Habra
La Mesa
La Quinta
Laguna Niguel

Lake Forest
Lakeport
Lemon Grove
Lincoln
Lindsay
Live Oak
Livermore
Lodi
Los Alamitos
Los Altos Hills
Manhattan Beach
Merced
Modesto
Monrovia
Monterey
Moreno Valley
Morgan Hill
Morro Bay
Murrieta
Napa
National City
Newark
Norco
Novato

Oakley
Oroville
Pacifica
Page
Palmdale
Palo Alto
Pasadena
Patterson
Perris
Pico Rivera
Piedmont
Pinole
Pittsburg
Pleasant Hill
Pleasanton
Pomona
Port Hueneme
Quincy
Rancho Cucamonga
Redwood City
Rialto
Richmond
Rio Vista
Ripon

Rocklin
Rohnert Park
Rolling Hills
Ross
San Anselmo
San Clemente
San Jacinto
San Leandro
San Ramon
Sanger
Santa Ana
Santa Barbara
Santa Clara
Santa Clarita
Sausalito
Seaside
Selma
Solana Beach
Stanton
Sutter Creek
Taft
Temecula
Thousand Oaks
Tiburon

Tucson
Tustin
Twentynine Palms
Vallejo
Villa Park
Walnut
West Covina
West Sacramento
Westminster
Woodland
Woodside
Yountville
Yuba City
Yucca Valley

COUNTIES (33)

Amador
Calaveras
Del Norte
Colusa
Glenn
Humboldt
Inyo
Kings
Lake
Lassen
Madera
Mariposa
Mendocino
Merced
Monterey
Mono
Napa
Nevada

Placer
Plumas
Riverside
San Benito
San Joaquin
Shasta
Siskiyou
Solano
Sutter
Tehama
Trinity
Tulare
Tuolumne
Yolo
Yuba

EDUCATION DISTRICTS (56)

Alisal Union School District
Allan Hancock CCD
Alta Loma Unified School District
Bass Lake Joint Union ESD
Beverly Hills Unified SD
Brea Olinda Unified SD
Calistoga Joint Unified SD
Campbell Union High SD
Citrus Community College District
Coast Community College District

Corning Union Elementary SD
Coronado Unified School District
Cotati-Rohnert Park USD
Dry Creek Joint Elementary SD
El Monte Union High School District
Folsom Cordova Unified SD
Fontana Unified School District
Grossmont-Cuyamaca CCD
Hartnell Community College District
Hermosa Beach City School District

Hesperia Unified School District
Imperial Community College District
Jurupa Unified School District
Lake Elsinore Unified School District
Lakeside Union School District
Lemon Grove School District
Lindsay Unified School District
Madera Unified School District
Marin Community College District
Monterey Peninsula CCD

Natomas Unified School District
Ocean View School District
Ontario-Montclair School District
Pasadena CCD
Peralta Community College District
Placer Union High School District
Porterville Unified School District
Rancho Santiago CCD
Rio Hondo CCD
River Delta Unified School District

Roseville Joint Union High SD
Salinas City Elementary SD
San Bernardino CCD
San Luis Obispo Co. CCD (Cuesta)
San Marino Unified School District
Santa Rita Union School District
Savanna School District
Shasta County Office of Education
Shasta-Trinity-Tehama Joint CCD
Upland Unified School District

Victor Valley CCD
Visalia Unified School District
West Valley-Mission CCD
Whittier City School District
Yosemite Community College District
Yuba Community College District

SPECIAL DISTRICTS (86)

Agoura Hills/Calabasas Community Center Auth.
Alameda County Mosquito Abatement District
Alpine Fire Protection District
Beach Cities Health District
Bighorn-Desert View Water Agency
California Governmental Risk Authority
Calaveras County Water District
Central Arizona Fire and Medical Authority
Central Contra Costa Sanitary District
Central Contra Costa Transit Authority
Coachella Valley Water District
Colusa Mosquito Abatement District
County Sanitation District No. 2 of Los Angeles Co.
Delta Diablo (Sanitation District)
East Bay Regional Park District
East Orange County Water District
El Dorado Hills County Water District
Estero Municipal Improvement District
Fallbrook Public Utility District
Feather River Qir Quality Management District
Fort Mojave Mesa Fire District
Golder Ranch Fire District

Goleta West Sanitary District
Great Basin Unified Air Pollution Control District
Greater Vallejo Recreation District
Hesperia Fire Protection District
Housing Authority of the City of Fresno
Housing Authority of the County of Butte
Housing Authority of the County of Fresno
Housing Authority of the County of San Bernardino
Housing Authority of the County of Santa Cruz
Humboldt Bay Municipal Water District
Mesa Water District
Metropolitan Transportation Commission
Midpeninsula Regional Open Space District
Midpeninsula Water District
Mojave Desert Air Quality Management District
Montecito Fire Protection District
Monterey Bay Unified Air Pollution Control District
Monterey County Mosquito Abatement District
Monterey One Water
Moraga-Orinda Fire Protection District
Municipal Pooling Authority
Municipal Water District of Orange County

Napa County Mosquito Abatement District
Nevada County Consolidated Fire Department
Newcastle-Rocklin-Gold Hill Cemetery District
North Central Fire District
North Coast Air Quality Management District
North County Fire Protection District
Novato Sanitary District
Oakland Housing Authority
Orange County Fire Authority
Orange County LAFCO
Orange County Mosquito & Vector District
Orange County Sanitation District
Orchard Dale Water District
Pebble Beach Community Services District
Placer County Air Pollution Control District
Rancho Adobe Fire Protection District
Rancho Cucamonga Fire Protection Department
Redwood Empire Municipal Insurance Fund (REMIF)
Regional Housing Authority
Sacramento Area Flood Control Agency
San Elijo Joint Powers Authority
San Mateo Mosquito & Vector Control District

Santa Barbara Co. Law Library
Santa Fe Irrigation District
Shasta Valley Cemetery District
South Coast Water District
South Placer Fire Protection District
Southern Marin Fire Protection District
Superior Court of CA, County of Inyo
Superior Court of CA, County of Kern
Sweetwater Springs Water District
Tahoe City Public Utility District
Three Valleys Municipal Water District
Twentynine Palms Water District
Union Sanitary District
Waterloo Morada Fire District
West Bay Sanitary District
West County Wastewater District
Western Riverside Council of Governments
Yolo-Solano Air Quality Management District
Yorba Linda Water District
Zone 7 Water 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

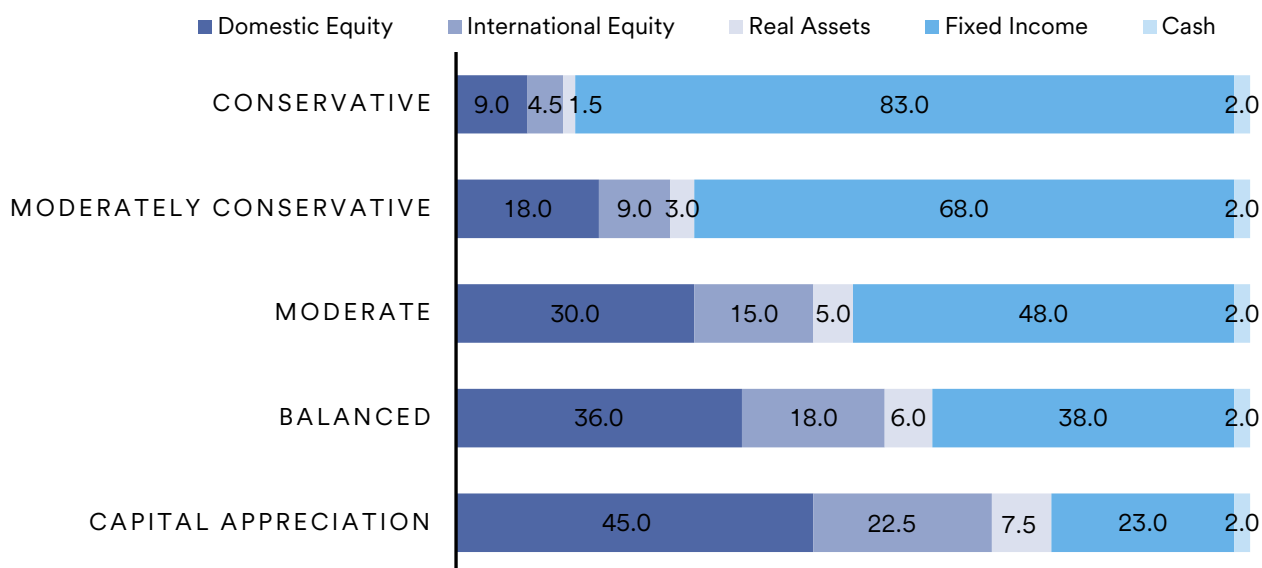
PARS OPEB Trust Program

| Strategy | Asset Class | Strategic Range | Policy | Tactical | Gross Annualized Total Rate of Return | | | | | | |
|--------------------------------|--------------|-----------------|--------|----------|---------------------------------------|-------|-------|-------|-------|-------|-------|
| | | | | | Portfolio | 3Q25* | YTD | 1-Yr | 3-Yr | 5-Yr | 10-Yr |
| Conservative | 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% | | | | | | | |
| | Cash | 0-20% | 2% | 2% | Benchmark | 2.82 | 7.05 | 5.36 | 7.50 | 2.64 | 3.66 |
| Moderately Conservative | 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 |
| Moderate | 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 |
| Balanced | 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 |
| Capital Appreciation | Equity | 65-85% | 75% | 75% | | | | | | | |
| | Fixed Income | 10-30% | 23% | 23% | Index | 5.87 | 13.43 | 12.99 | 17.01 | 10.33 | 9.56 |
| | Cash | 0-20% | 2% | 2% | Benchmark | 5.96 | 12.65 | 11.86 | 17.37 | 10.64 | 10.02 |

*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.

| Strategy | Portfolio | Gross Calendar Year Returns | | | | | | | | | |
|--------------------------------|-------------------|-----------------------------|-------|--------|-------|-------|-------|-------|-------|------|-------|
| | | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
| Conservative | 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 |
| Moderately Conservative | 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 |
| Moderate | 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 |
| Balanced | 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 |
| Capital Appreciation | 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)

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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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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

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

Budgeted: N/A

Legal Counsel Review: Yes

Meeting Date: January 20, 2026

TO: Finance Committee

FROM: Amber Boone, General Manager

SUBJECT: Engineering Capital Overrun Procedure Draft

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

Budgeted: N/A

Legal Counsel Review: Yes

Meeting Date: January 20, 2026

TO: Finance Committee

FROM: Amber Boone, General Manager

SUBJECT: Cost Allocation Policy

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:
 - Department 01: Operations and Maintenance
 - 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:
- 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.
 - Department 04: Administration. Includes administration and incidental accounting costs arising specifically from the operations and maintenance of the Project facilities.
 - 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

| General Fund Allocation | |
|--|-------------------------------------|
| Salary and Fringe | |
| Regular Salaries-Admin | 50% (General Manager) |
| Assistant Clerk | 50% |
| Comp Time - Admin | 50% |
| Other Expenses | |
| 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 Rosebaum 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% |
| EBSD | 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 |
| EBSB | 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 2018¹.
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.

¹ 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* | 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 Rosebaum 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

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% |
| Total | 15,182,916 | 7,194,823 | 7,988,093 | 47.5% |

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

**South Orange County Wastewater Authority
Capital Projects Summaries
For the Period Ended December 31, 2025
(in dollars)**

| FY 2025-26 Budget vs. Actual Spending | | | | |
|--|-----------------------|-----------------------------|-----------------------------|-------------------|
| Description | Capital Budget | Fiscal Year Spending | (Over)/ Under Budget | % Expended |
| 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% |
| Total Large Capital | \$ 13,033,908 | \$ 2,418,160 | \$ 10,615,748 | 18.6% |
| Non-Capital Engineering | 836,000 | 35,753 | 800,247 | 4.3% |
| Small Internal Capital | 1,380,000 | 397,455 | 982,545 | 28.8% |
| Total Capital | \$ 15,249,908 | \$ 2,851,368 | \$ 12,398,540 | 18.7% |

South Orange County Wastewater Authority
Preliminary O & M & Environmental Safety Costs Summary¹
For the Period Ended December 31, 2025
(in dollars)

| | | FY 2025-26 Budget | Actual | (Over)/Under Budget | % Expended |
|--------------------------|---|------------------------------|------------------|--------------------------------|-----------------------|
| Salary and Fringe | | | | | |
| **5000-**-** | Regular Salaries-O&M | 3,891,857 | 1,798,941 | 2,092,916 | 46.2% |
| **5001-**-** | Overtime Salaries-O&M | 56,941 | 25,398 | 31,543 | 44.6% |
| **5306-**-** | Scheduled Holiday Work | 40,772 | 16,341 | 24,431 | 40.1% |
| **5315-**-** | Comp Time - O&M | 16,966 | 25,931 | (8,965) | 152.8% |
| **5401-**-** | Fringe Benefits IN to PC's & Depts. | 1,962,205 | 908,354 | 1,053,851 | 46.3% |
| **5700-**-** | Standby Pay | 53,000 | 39,000 | 14,000 | 73.6% |
| | Total Payroll Costs | 6,021,741 | 2,813,966 | 3,207,775 | 46.7% |
| Other Expenses | | | | | |
| **5002-**-** | Electricity | 1,101,040 | 698,163 | 402,877 | 63.4% |
| **5003-**-** | Natural Gas | 225,980 | 55,624 | 170,356 | 24.6% |
| **5004-**-** | Potable & Reclaimed Water | 51,000 | 29,140 | 21,860 | 57.1% |
| **5006-**-** | Chlorine/Sodium Hypochlorite | 182,500 | 126,470 | 56,030 | 69.3% (1) |
| **5007-**-** | Polymer Products | 550,000 | 275,645 | 274,355 | 50.1% |
| **5008-**-** | Ferric Chloride | 700,000 | 319,318 | 380,682 | 45.6% |
| **5009-**-** | Odor Control Chemicals | 115,000 | 49,691 | 65,309 | 43.2% |
| **5010-**-** | Small Purchases and Consumables | 217,516 | 86,754 | 130,762 | 39.9% |
| **5011-**-** | Laboratory Services | 66,104 | 70,853 | (4,749) | 107.2% (4) |
| **5012-**-** | Grit Hauling | 102,000 | 51,623 | 50,377 | 50.6% |
| **5015-**-** | Management Support Services | 407,500 | 112,116 | 295,384 | 27.5% |
| **5016-**-** | Audit - Environmental | 4,356 | - | 4,356 | 0.0% |
| **5017-**-** | Legal Fees | 10,000 | 8,004 | 1,997 | 80.0% |
| **5019-**-** | Contract Services Misc. | 566,100 | 207,823 | 358,277 | 36.7% |
| **5027-**-** | Insurance - Property/Liability | 737,903 | 380,868 | 357,035 | 51.6% |
| **5030-**-** | Trash Disposal | 6,000 | 3,836 | 2,164 | 63.9% |
| **5034-**-** | Memberships, Conferences, Training & Travel | 212,430 | 56,629 | 155,801 | 26.7% |
| **5036-**-** | Laboratory Supplies | 144,522 | 73,194 | 71,328 | 50.6% |
| **5037-**-** | Office Equipment | 17,000 | 536 | 16,464 | 3.2% |
| **5038-**-** | Permits | 749,801 | 607,860 | 141,941 | 81.1% (2) |
| **5044-**-** | Offshore Monitoring | 100,000 | 34,370 | 65,630 | 34.4% |
| **5045-**-** | Offshore Biochemistry - 20B | 22,000 | 14,598 | 7,402 | 66.4% (5) |
| **5046-**-** | Effluent Chemistry | 52,880 | 26,785 | 26,095 | 50.7% |
| **5047-**-** | Access Road Expenses | 48,000 | - | 48,000 | 0.0% |
| **5048-**-** | Storm Damage | 20,000 | - | 20,000 | 0.0% |
| **5049-**-** | Biosolids Disposal | 800,000 | 346,928 | 453,072 | 43.4% |
| **5054-**-** | Diesel Truck Maint | 30,500 | 3,617 | 26,883 | 11.9% |
| **5056-**-** | Maintenance Equip. & Facilities (Solids) | 125,000 | 29,240 | 95,760 | 23.4% |
| **5057-**-** | Maintenance Equip. & Facilities (Liquids) | 300,000 | 126,532 | 173,468 | 42.2% |
| **5058-**-** | Maintenance Equip. & Facilities (Common) | 56,000 | 27,202 | 28,798 | 48.6% |
| **5059-**-** | Maintenance Equip. & Facilities (Co-Gen) | 308,000 | 146,253 | 161,747 | 47.5% |
| **5060-**-** | Maintenance Equip. & Facilities (AWT) | 30,000 | 21,659 | 8,341 | 72.2% (3) |
| **5068-**-** | MNWD Potable Water Supplies & Svcs. | 41,000 | 17,550 | 23,450 | 42.8% |
| **5076-**-** | SCADA Infrastructure | 220,000 | 6,450 | 213,550 | 2.9% |
| **5101-**-** | Employee Recognition | 1,300 | 800 | 500 | 61.5% |
| **5303-**-** | Group Insurance Waiver | 3,600 | - | 3,600 | 0.0% |
| **5309-**-** | Operating Leases | 66,000 | 1,555 | 64,445 | 2.4% |
| **5705-**-** | Monthly Car Allowance | 22,800 | 10,846 | 11,954 | 47.6% |
| **5777-**-** | Laboratory Lease | 12,000 | 12,000 | - | 100.0% |
| **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 Summary¹
For the Period Ended December 31, 2025
(in dollars)

| | | FY 2025-26 Budget | Actual | (Over)/Under Budget | % Expended |
|------------------|------------------------------------|------------------------------|------------------|--------------------------------|-----------------------|
| **_6500-**-**-** | IT Allocations in to PC's & Depts. | 749,343 | 378,539 | 370,804 | 50.5% |
| | Total Other Expenses | 9,161,175 | 4,380,857 | 4,780,318 | 47.8% |
| | Total O&M Expenses | 15,182,916 | 7,194,823 | 7,988,093 | 47.4% |

¹ 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 Biochemisrty is elevated due to molecular lab supplies

South Orange County Wastewater Authority
Preliminary O&M Budget vs. Actual Comparison by PC¹
For the Period Ended December 31, 2025
(in dollars)

| | | 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% |
| Total | | 15,182,916 | 7,194,823 | 7,988,093 | 47.5% |

| | | | | | |
|--------------------------|---|-----------|-----------|-----------|------------|
| 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% |
| | Total Payroll Costs | 3,300,585 | 1,562,852 | 1,737,733 | 47.4% |
| 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 PC¹
For the Period Ended December 31, 2025
(in dollars)

| | | FY 2025-26 Budget | Actual | (Over)/Under Budget | % Expended |
|------------------|------------------------------------|------------------------------|---------------|--------------------------------|-----------------------|
| 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% |

05 - San Juan Creek Ocean Outfall

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 PC¹
For the Period Ended December 31, 2025
(in dollars)

| | | FY 2025-26 Budget | Actual | (Over)/Under Budget | % Expended |
|---------------------------------------|-------------------------------------|------------------------------|---------------|--------------------------------|-----------------------|
| 08 - Pre Treatment | | | | | |
| 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 | 213,610 | 93,695 | 119,915 | 43.9% |
| 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 | 76,052 | 20,943 | 55,109 | 27.5% |
| | Total Expenses | 289,662 | 114,639 | 175,023 | 39.6% |
| 12 - Water Reclamation Permits | | | | | |
| 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 | 40,310 | 8,695 | 31,615 | 21.6% |
| 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 | 48,459 | 3,282 | 45,177 | 6.8% |
| | Total Expenses | 88,769 | 11,977 | 76,792 | 13.5% |

South Orange County Wastewater Authority
Preliminary O&M Budget vs. Actual Comparison by PC¹
For the Period Ended December 31, 2025
(in dollars)

| | | FY 2025-26 Budget | Actual | (Over)/Under Budget | % Expended |
|-------------------------------------|---|------------------------------|------------------|--------------------------------|-----------------------|
| 15 - Coastal Treatment Plant | | | | | |
| 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 | 1,807,457 | 816,640 | 990,817 | 45.2% |
| 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 | 2,015,061 | 830,342 | 1,184,719 | 41.2% |
| | Total Expenses | 3,822,518 | 1,646,983 | 2,175,535 | 43.1% |

South Orange County Wastewater Authority
Preliminary O&M Budget vs. Actual Comparison by PC¹
For the Period Ended December 31, 2025
(in dollars)

| FY 2025-26 Budget | Actual | (Over)/Under Budget | % Expended |
|----------------------|--------|------------------------|---------------|
|----------------------|--------|------------------------|---------------|

17 - Joint Regional Wastewater Reclamation and Sludge Handling

Salary and Fringe

| | | | | | |
|------------------|-------------------------------------|---------|---------|---------|--------|
| 17-5000-**-**-** | Regular Salaries-O&M | 264,922 | 126,143 | 138,779 | 47.6% |
| 17-5001-**-**-** | Overtime Salaries-O&M | 530 | 1,270 | (740) | 239.5% |
| 17-5306-**-**-** | Scheduled Holiday Work | 3,180 | 2,083 | 1,097 | 65.5% |
| 17-5315-**-**-** | Comp Time - O&M | 1,272 | 957 | 315 | 75.2% |
| 17-5401-**-**-** | Fringe Benefits IN to PC's & Depts. | 133,769 | 63,695 | 70,074 | 47.6% |
| | Total Payroll Costs | 403,673 | 194,147 | 209,526 | 48.1% |

Other Expenses

| | | | | | |
|------------------|---|---------|--------|---------|-----------|
| 17-5010-**-**-** | Small Purchases and Consumables | 1,500 | 5,677 | (4,177) | 378.5% |
| 17-5011-**-**-** | Laboratory Services | 30,000 | 26,386 | 3,614 | 88.0% (6) |
| 17-5016-**-**-** | Audit - Environmental | 500 | - | 500 | 0.0% |
| 17-5034-**-**-** | Memberships, Conferences, Training & Travel | 5,000 | 54 | 4,946 | 1.1% |
| 17-5036-**-**-** | Laboratory Supplies | 31,000 | 20,292 | 10,708 | 65.5% |
| 17-5068-**-**-** | MNWD Potable Water Supplies & Svcs. | 41,000 | 17,550 | 23,450 | 42.8% |
| 17-5303-**-**-** | Group Insurance Waiver | 3,600 | - | 3,600 | 0.0% |
| 17-5705-**-**-** | Monthly Car Allowance | 700 | - | 700 | 0.0% |
| 17-6500-**-**-** | IT Allocations in to PC's & Depts. | 51,244 | 25,886 | 25,358 | 50.5% |
| | Total Other Expenses | 164,544 | 95,846 | 68,698 | 58.2% |

Total Expenses

| | | | |
|---------|---------|---------|-------|
| 568,217 | 289,993 | 278,224 | 51.0% |
|---------|---------|---------|-------|

21 - Effluent Transmission Main

Salary and Fringe

| | | | | | |
|------------------|-------------------------------------|--------|---|--------|------|
| 21-5000-**-**-** | Regular Salaries-O&M | 7,060 | - | 7,060 | 0.0% |
| 21-5401-**-**-** | Fringe Benefits IN to PC's & Depts. | 3,565 | - | 3,565 | 0.0% |
| | Total Payroll Costs | 10,625 | - | 10,625 | 0.0% |

Other Expenses

| | | | | | |
|------------------|--------------------------------|--------|-------|-------|-------|
| 21-5027-**-**-** | Insurance - Property/Liability | 16,964 | 8,789 | | |
| | Total Other Expenses | 16,964 | 8,789 | 8,175 | 51.8% |

Total Expenses

| | | | |
|--------|-------|--------|-------|
| 27,589 | 8,789 | 18,800 | 31.9% |
|--------|-------|--------|-------|

23 - North Coast Interceptor

Salary and Fringe

| | | | | | |
|------------------|-------------------------------------|-------|---|-------|------|
| 23-5000-**-**-** | Regular Salaries-O&M | 5,000 | - | 5,000 | 0.0% |
| 23-5401-**-**-** | Fringe Benefits IN to PC's & Depts. | 2,525 | - | 2,525 | 0.0% |
| | Total Payroll Costs | 7,525 | - | 7,525 | 0.0% |

Other Expenses

| | | | | | |
|------------------|--------------------------------|-------|-------|-------|-------|
| 23-5027-**-**-** | Insurance - Property/Liability | 9,975 | 5,168 | 4,807 | 51.8% |
| | Total Other Expenses | 9,975 | 5,168 | 4,807 | 51.8% |

Total Expenses

| | | | |
|--------|-------|--------|-------|
| 17,500 | 5,168 | 12,332 | 29.5% |
|--------|-------|--------|-------|

24 - Aliso Creek Ocean Outfall

Salary and Fringe

| | | | | | |
|------------------|-------------------------------------|---------|--------|--------|--------|
| 24-5000-**-**-** | Regular Salaries-O&M | 71,654 | 51,163 | 20,491 | 71.4% |
| 24-5001-**-**-** | Overtime Salaries-O&M | 518 | 630 | (112) | 121.6% |
| 24-5306-**-**-** | Scheduled Holiday Work | 530 | - | 530 | 0.0% |
| 24-5401-**-**-** | Fringe Benefits IN to PC's & Depts. | 36,181 | 25,834 | 10,347 | 71.4% |
| | Total Payroll Costs | 108,883 | 77,628 | 31,255 | 71.3% |

Other Expenses

South Orange County Wastewater Authority
Preliminary O&M Budget vs. Actual Comparison by PC¹
For the Period Ended December 31, 2025
(in dollars)

| | | FY 2025-26 Budget | Actual | (Over)/Under Budget | % Expended |
|-------------------------------|---|------------------------------|------------------|--------------------------------|-----------------------|
| 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 | 699,113 | 414,742 | 284,371 | 59.3% |
| | Total Expenses | 807,996 | 492,370 | 315,626 | 60.9% |
| Total O&M Expenses | | 15,182,916 | 7,194,823 | 7,988,093 | 47.4% |

¹ 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 Biochemisrty is elevated due to molecular lab supplies
- (6) Lab Services is elevated due to Verily payment in August 2025

South Orange County Wastewater Authority
Preliminary Budget vs. Actual Comparison- Administration
For the Period Ended December 31, 2025
(in dollars)

| | | FY 2025-26 Budget | Actual | (Over)/Under Budget | % Expended |
|-----------------------------|-------------------------------------|------------------------------|----------------|--------------------------------|-----------------------|
| 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 | 1,165,633 | 512,255 | 653,378 | 43.9% |
| Other Expenses | | | | | |
| 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 | 635,881 | 268,779 | 367,102 | 42.3% |
| Total Admin Expenses | | 1,801,514 | 781,035 | 1,020,479 | 43.4% |

(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 |
|----------------------------|---|------------------------------|----------------|--------------------------------|-----------------------|
| Salary & Fringe | | | | | |
| 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% |
| | Total Salary & Fringe | 228,522 | 112,416 | 116,106 | 49.2% |
| Other Expenses | | | | | |
| 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% |
| | Total Other Expenses | 670,438 | 341,702 | 328,736 | 51.0% |
| | Total Expenses before Allocation | 898,960 | 454,119 | 444,841 | 50.5% |

Agenda Item

13

Budgeted: N/A

Legal Counsel Review: Yes

Meeting Date: January 20, 2026

TO: Finance Committee
FROM: Amber Boone, General Manager
SUBJECT: FY 26-27 Budget Schedule

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

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

| PC2 - JB Latham Plant | | |
|--|-------------------------------------|---------------------------------|
| <u>2025 Liquids Summary (mgd)</u> | | |
| <u>Member Agency</u> | <u>Total Avg. Flow (mgd)</u> | <u>Total Billing (%)</u> |
| San Juan Trunkline ⁽¹⁾ | 2.21 | |
| MNWD ⁽²⁾ | 1.4 | 16.50 % |
| SCWD | 1.52 | 17.90 % |
| Oso-Trabuco Trunkline/SMWD ^{(1),(2),(3)} | 4.75 | 65.60 % |
| | 9.89 | 100.00 % |
| | | |
| <u>2025 Solids Summary Loading (mgd)</u> | | |
| <u>Member Agency</u> | <u>Total Solids (pounds)</u> | <u>Total Billing (%)</u> |
| San Juan Trunkline ⁽¹⁾ | 6542.41 | |
| MNWD ⁽²⁾ | 4235.00 | 12.91 % |
| SCWD | 5825.34 | 17.76 % |
| Oso-Trabuco Trunkline/SMWD ^{(1),(2),(3)} | 16198.99 | 69.33 % |
| | 32801.74 | 100.00% |
| (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. | | |
| (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 | | |

Table 3: Combined Capacity Flows, Solids, and Percentage Share

| SOCWA Member Agency | Liquids (mgd) | Percent (%) | Solids (pounds) | Percent (%) |
|------------------------------------|--------------------------|------------------------|----------------------------|------------------------|
| SCWD | 2.92 | 29.53% | 10060.34 | 20.36% |
| SMWD | 6.97 | 70.47% | 39344.14 | 79.64% |
| Total | 9.89 | 100.00% | 49404.48 | 100.00% |

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

| PC 12 Recycled Water | | |
|-------------------------------------|---|----------------------------|
| Master Recycled Water Permit | | |
| 2025 | | |
| Agency | Region 9 Recyled Production acft | % RW Produced % |
| MNWD | 5138.95 | 41.43% |
| SCWD | 691.52 | 5.57% |
| SMWD | 6122.92 | 49.36% |
| TCWD | 450.94 | 3.64% |
| Total | 12404.33 | 100% |

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