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

February 17, 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 **February 17, 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 LYNDA 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: 827 3559 1941
Passcode: 834492

One Tap Mobile
+16694449171,,82735591941#,,,,*834492# US
+16699006833,, 82735591941#,,,,*834492# US (San Jose)

FINANCE COMMITTEE MEETING
February 17, 2026

AGENDA

1. Call Meeting to Order

2. Public Comments

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

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

   Recommended Action: Committee Discussion/Direction and Action.

PAGE NO.

4. Approval of Minutes 1

   - Finance Committee Meeting of January 20, 2026

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

5. FY 24-25 Annual Audit Presentation 4

   Recommended Action: Committee Discussion, Direction, or Action

6. PARS 115 Trust Presentation 18

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

7. Use Audit Update and Presentation 65

   Recommended Action: Committee Discussion, Direction, or Action

8. FY 26-27 Final Draft O&M Budget 68

   Recommended Action: Committee Discussion, Direction, or Action

9. Draft Cost Allocation Policy 74

   Recommended Action: Committee Discussion, Direction, or Action

10. Adjournment

FINANCE COMMITTEE MEETING
February 17, 2026

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 13th day of February 2026.

Lynda May

Lynda May, Assistant Clerk
SOUTH ORANGE COUNTY WASTEWATER AUTHORITY

MINUTES OF REGULAR MEETING
OF THE
SOUTH ORANGE COUNTY WASTEWATER AUTHORITY

Finance Committee

DRAFT

January 20, 2026

The Regular Meeting of the South Orange County Wastewater Authority (SOCWA) Finance Committee was held on January 20, 2026, 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
DENNIS CAFFERTY	El Toro Water District	Alternate 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
DINA ASH	Human Resources Administrator

Also Participating:

KATHRYN FRESHLEY	El Toro Water District
SANDER HUANG	South Coast Water District
KELSEY DECASAS	Moulton Niguel Water District
MATT COLLINGS	Moulton Niguel Water District

1. Call Meeting to Order

   Chairperson Paul Pender called the meeting to order at 10:34 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 November 18, 2025.

ACTION TAKEN
A motion was made by Director Castillo and seconded by Director Pender to approve the Minutes for November 18, 2025, as submitted.

Motion carried:	Aye 3, Nay 0, Abstained 1, Absent 0	
	Director Curran	Aye
	Director Cafferty	Abstained
	Director Pender	Aye
	Director Castillo	Aye

5. Annual Financial Audit and Annual Use Audit

An open discussion ensued starting with Director Castillo suggesting the inclusion of the MD&A (Management Discussion and Analysis) for the next year, and for the auditors to give a brief presentation to clear up any material weakness and control deficiencies. Ms. Boone briefed the Committee on one of the Auditor's comments due to the late timing of the board's approval for the mid-year adjustments post reorganization. Director Curran advised on having proper internal authority to make urgent changes like this, followed by a prompt explanation to the Board for approval going forward.

Ms. Decasas from Moulton Niguel Water District offered comments on the Use Audit. Director Cafferty and Director Castillo discussed the need to break down the Care-of allocations. Ms. Boone stated the items discussed will be brought back with a presentation from the auditors.

6. Internal Controls Review

An open discussion ensued on the items identified for improvement by the auditors, and parts of the upcoming financial manual that will help identify these issues. Director Castillo requested an explanation on the third item, regarding the addition of labor accruals to the depreciation schedule. Ms. Boone explained that it was a past practice being done by Finance without documentation or communication, so they immediately added it as part of the documented capital projects close out procedure.

7. SOCWA Financial Manual Draft Outline

An open discussion ensued on the content of the outline, with a suggestion by Director Caffertty to add internal controls. Ms. Boone reported that internal controls can be included, and that this item will be brought back to the committee for further review.

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

A brief discussion ensued with Ms. Boone suggesting having another actuarial for the next year, even though the requirement is every two years to help inform some future liabilities stemming from Moulton Niguel's exit. This item's action was tabled for the next meeting due to the committee requesting a presentation on the PARS report.

9. PC 15 Special Fund Discussion

A brief discussion ensued on options for retaining the funds from the Moulton Niguel Water District's asset transfer. Director Castillo noted that the timing of spending is important in the decision. Director Curran offered to send a list of investors from the City of Laguna Beach.

10. Engineering Capital Overrun Procedure Draft

An open discussion ensued on procedures including thresholds for estimates deviating during a project. Director Pender and Director Cafferty suggested the threshold should trigger a review with the Engineering Committee, instead of the Finance Committee, followed by an approval by the board since the Finance Committee wouldn't have a lot of input on a project's engineering decisions, unless it is significant enough to affect the billing cycle.

11. Cost Allocation Policy

An open discussion ensued on the latest draft of the Cost Allocation Policy. Ms. Boone updated the committee on the agency working with the Board on public affairs, with the engineering committee on percentage allocations, and with feedback from the auditors on revising the policy for any procedural handling of balance sheet items.

12. Budget vs. Actuals for Q2, FY 25-26

A discussion opened on the Budget vs. Actuals ending December 2025 and the need for a standard business practice for closing books including a pattern analysis for recurring vendors, which will be brought back to the next Finance Committee meeting. Director Pender and Director Castillo provided input on their practices.

13. FY 26-27 Budget Schedule

Ms. Boone briefed on the budget schedule, noting they will likely have a draft budget ready for the committee in February, thus accelerating the previously distributed budget schedule.

14. FY 26-27 Budget Assumptions

An open discussion ensued on the budget assumptions and what will be included in the upcoming draft budget. Director Pender requested the first draft contain all of the assumptions.

15. FY 26-27 Flows vs. Capacity Discussion

An open discussion ensued beginning with the use of agreed-upon capacity for efficiency. Director Curran suggested to consider trends over multiple years rather than one year to understand consistent issues which will be brought back to the next Financial Committee meeting.

16. Adjournment

There being no further business, Chairperson Pender adjourned the meeting at 12:00 p.m.

I HEREBY CERTIFY that the foregoing Minutes are a true and accurate copy of the Minutes of the Special Meeting of the South Orange County Wastewater Authority Finance Committee of January 20, 2026, 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: February 17, 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

Summary/Discussion

At the January 20, 2026 Finance Committee meeting, the Finance Committee members requested that the Pun Group provide a presentation to the Committee on the recently completed annual financial audit. The Pun Group will provide the presentation to the Committee.

Recommended Action: Committee discussion, direction, and action.

Attachments:

- Pun Group Annual Financial Audit presentation

THE PUN GROUP
ACCOUNTANTS & ADVISORS

South Orange County Wastewater Authority

THE PUN GROUP
ACCOUNTANTS & ADVISORS

Presentation to the Finance Committee
For the Fiscal Year Ended June 30, 2025

February 17th, 2026

2021-2025 BEST of Accounting™ CLIENT SATISFACTION DIAMOND AWARD 5

Contents

- Scope of Work
- Required Communications (AU-C 260)
- Overview of the Financial Statements and Financial Indicators
- Audit Results

Scope Of Work

- Financial Statement Audit

Required Communications (AU-C 260)

Required Communications (AU-C 260)

- Ethics and Independence
- Significant Accounting Policies
- Significant Estimates
- Sensitive Disclosures
- Misstatements
- Consultation with Other Accountants
- Significant Difficulties
- Disagreement with Management

Overview Of The Financial Statements And Financial Indicators

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

	2025	2024 (Restated)	Change
Net Position:			
Net investment in capital assets	$ 115,027,000	$ 156,789,000	$ (41,762,000)
Restricted	12,500,000	-	12,500,000
Unrestricted	(9,442,000)	(8,043,000)	(1,399,000)
Total Net Position	$ 118,085,000	$ 148,746,000	$ (30,661,000)

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South Orange County Wastewater Authority
Changes in Net Position
For the Years Ended June 30, 2025 and 2024

	2025	2024 (Restated)	Change
Operating revenue	$ 21,470,000	$ 25,074,000	$ (3,604,000)
Less: Operating expenses	(33,888,000)	(35,908,000)	2,020,000
Operating Loss	(12,418,000)	(10,834,000)	(1,584,000)
Nonoperating revenues (expenses)	3,517,000	2,266,000	1,251,000
Capital Contributions	6,748,000	9,698,000	(2,950,000)
Special Items	(28,508,000)	-	(28,508,000)
Changes in Net Position	$ (30,661,000)	$ 1,130,000	$ (31,791,000)

THE PUN GROUP
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South Orange County Wastewater Authority
Net Pension Liability
For the Years Ended June 30, 2025 and 2024

	2025	2024
Plan Total Pension Liability	$ 73,452,000	$ 70,522,000
Plan Fiduciary Net Position	(53,852,000)	(50,805,000)
Net Pension Liability	$ 19,600,000	$ 19,717,000
Funding Ratio	73%	72%
Contibution Made During the Fiscal Year	$ 2,155,000	$ 1,998,000

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South Orange County Wastewater Authority
Net OPEB Liability
For the Years Ended June 30, 2025 and 2024

	2025	2024
Plan Total OPEB Liability	$ 14,500,000	$ 12,002,000
Plan Fiduciary Net Position	(7,751,000)	(7,038,000)
Net OPEB Liability	$ 6,749,000	$ 4,964,000
Funding Ratio	53%	59%
Contibution Made During the Fiscal Year	$ 796,000	$ 745,000

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Financial Audit Results

Audit Results

- **Unmodified Opinion**
  - Financial Statements are fairly presented in all material respects
  - Significant accounting policies have been consistently applied
  - Estimates are reasonable
  - Disclosures are properly reflected in the financial statements
- **AU-C 265 Communicating Internal Control Related Matters Identified in an Audit**
  - Finding 2025-001 Internal Control Over Financial Reporting

THE PUN GROUP
ACCOUNTANTS & ADVISORS

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Agenda Item 6

Finance Committee Meeting
Meeting Date: February 17, 2026

TO: Finance Committee

FROM: Amber Boone, General Manager

STAFF CONTACT: Jack Beck, Accountant

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

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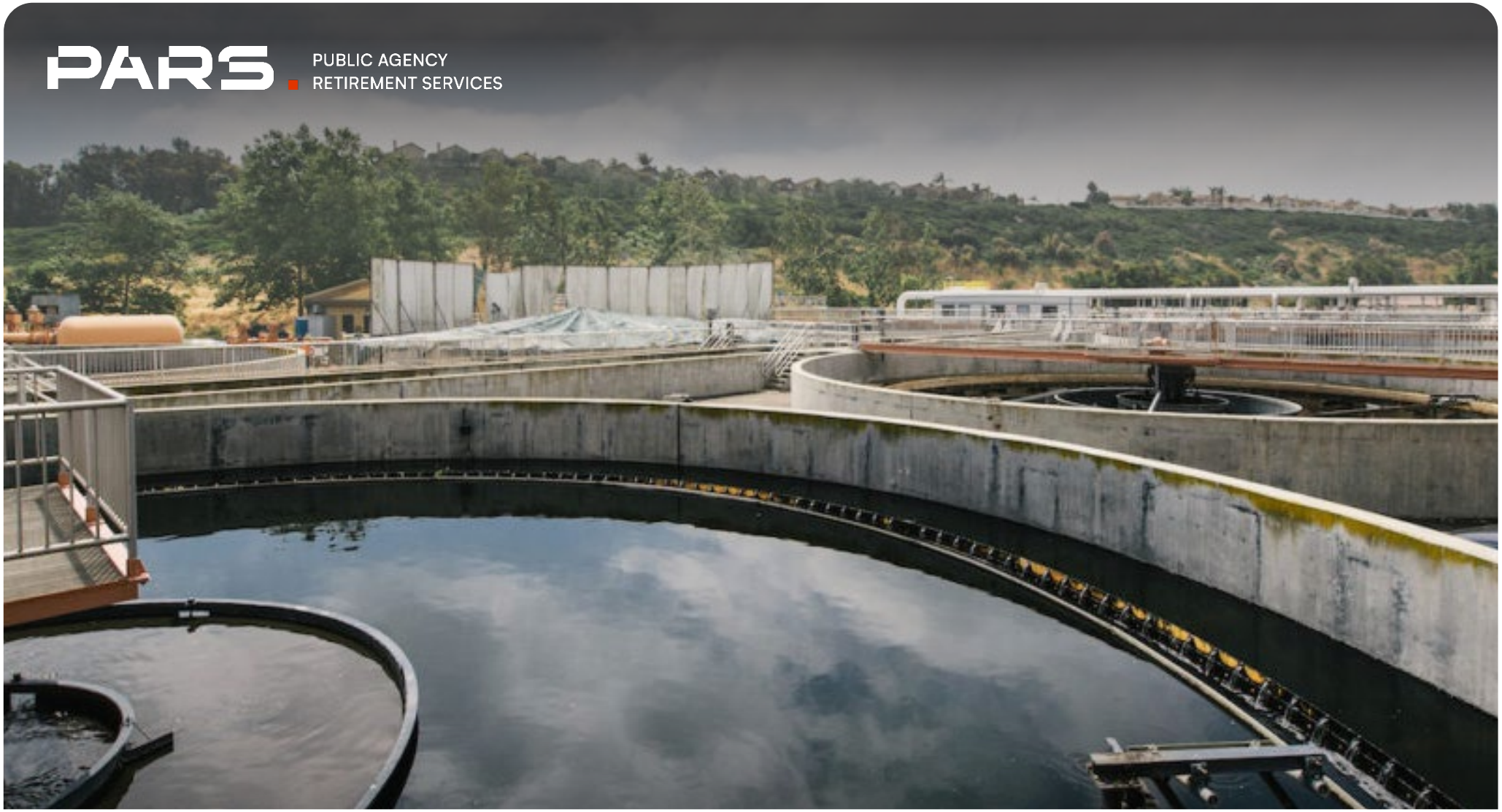
Summary/Discussion

At the January 20, 2026, Finance Committee meeting, the Finance Committee members requested that Public Agency Retirement Services (PARS) and PFM Asset Management provide a presentation to the Committee on the recently completed annual financial audit. PARS and PFM will provide the presentation to the Committee.

Attached is 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 recommend 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

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

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

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+	2,300+	1,100+	550+	750K+	$10.3B+
Years of Experience (1984-2025)	Plans under Administration	Public Agency Clients	115 Trust Clients	Plan Participants	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	$11.0T
Years of Experience (1863-2025)	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+	$256.3B *
Years of Investment Experience *(As of 6/30/2025)*	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

115 Combo Trust

1 Pension Rate Stabilization Program (PRSP)

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

2 OPEB Trust Program

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

3 Alternate Retirement System (ARS)

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

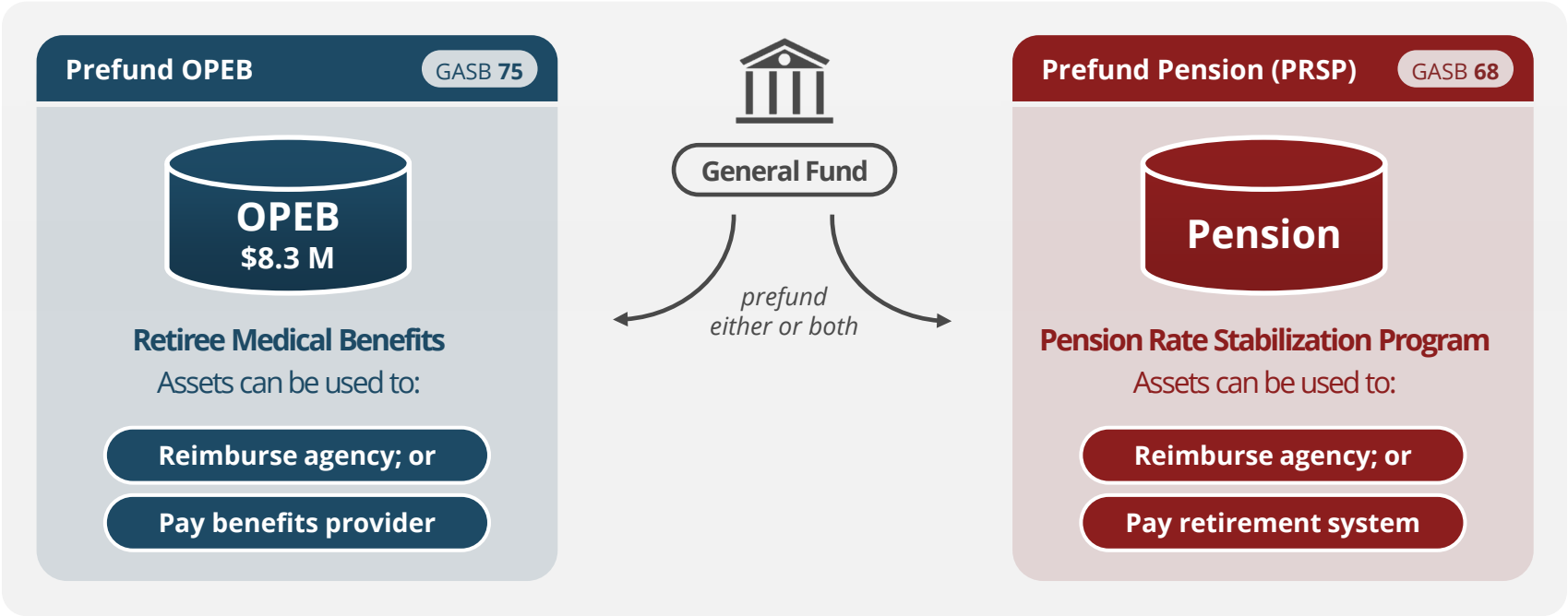
4 Supplemental Defined Contribution Plan

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

5 Accumulated Leave Plan

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

PARS IRS-APPROVED SECTION 115 TRUST



Subaccounts

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

Financial Stability

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

Flexible Investing

Allows separate investment strategies for OPEB and pension subaccounts.

Anytime Access

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

Economies-of-Scale

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

No Set Up Cost or Minimums

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

SECTION 115 TRUST BACKGROUND

- 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

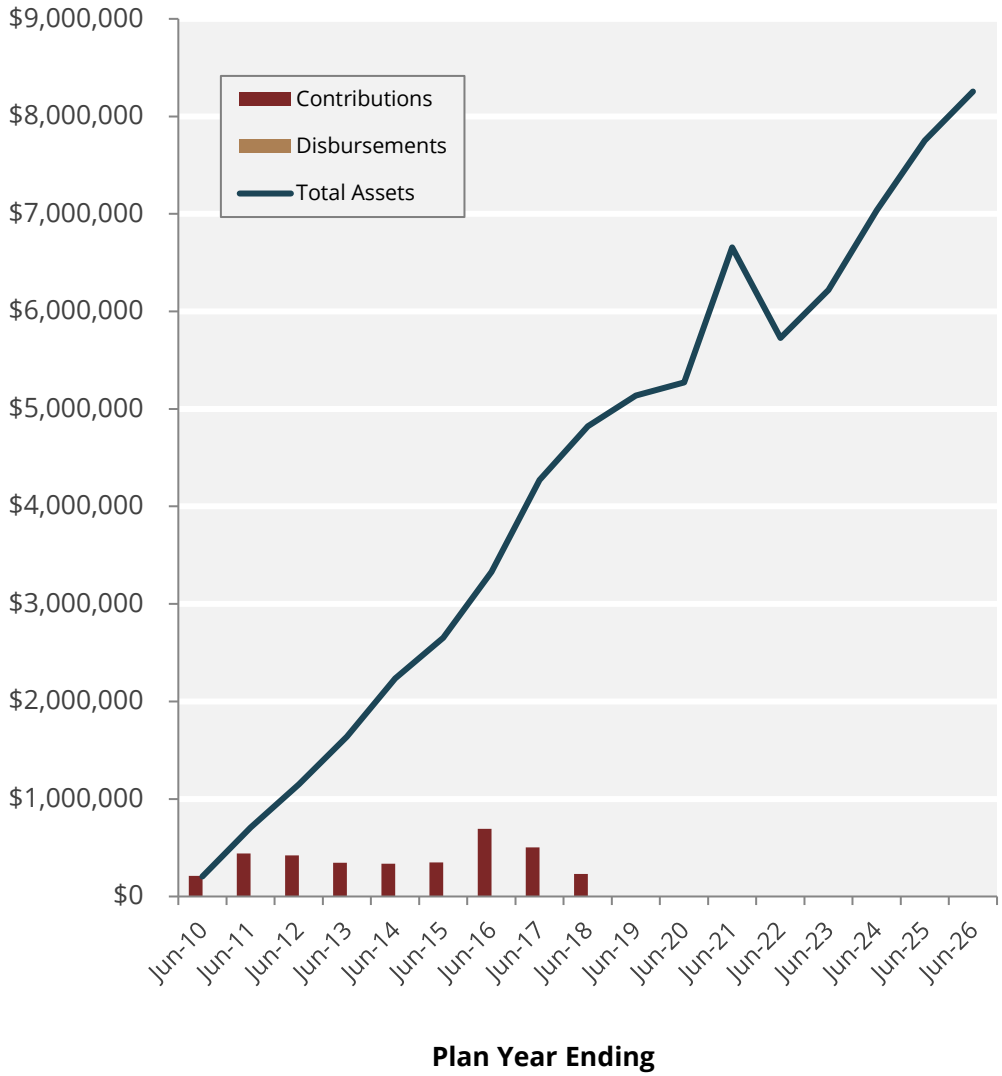
Plan Type:	IRC Section 115 Irrevocable Exclusive Benefit Trust
Trustee Approach:	Discretionary
Plan Effective Date:	August 6, 2009
Plan Administrator:	General Manager
Current Investment Strategy:	Balanced Strategic Blend; Pooled Account

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** *From the 2024 GASB 75 Actuarial Valuation*	**Measurement Date: June 30, 2025** *From the 2025 GASB 75 Actuarial Valuation*
Actives	57	53
Retirees	50	40
Total	107	93

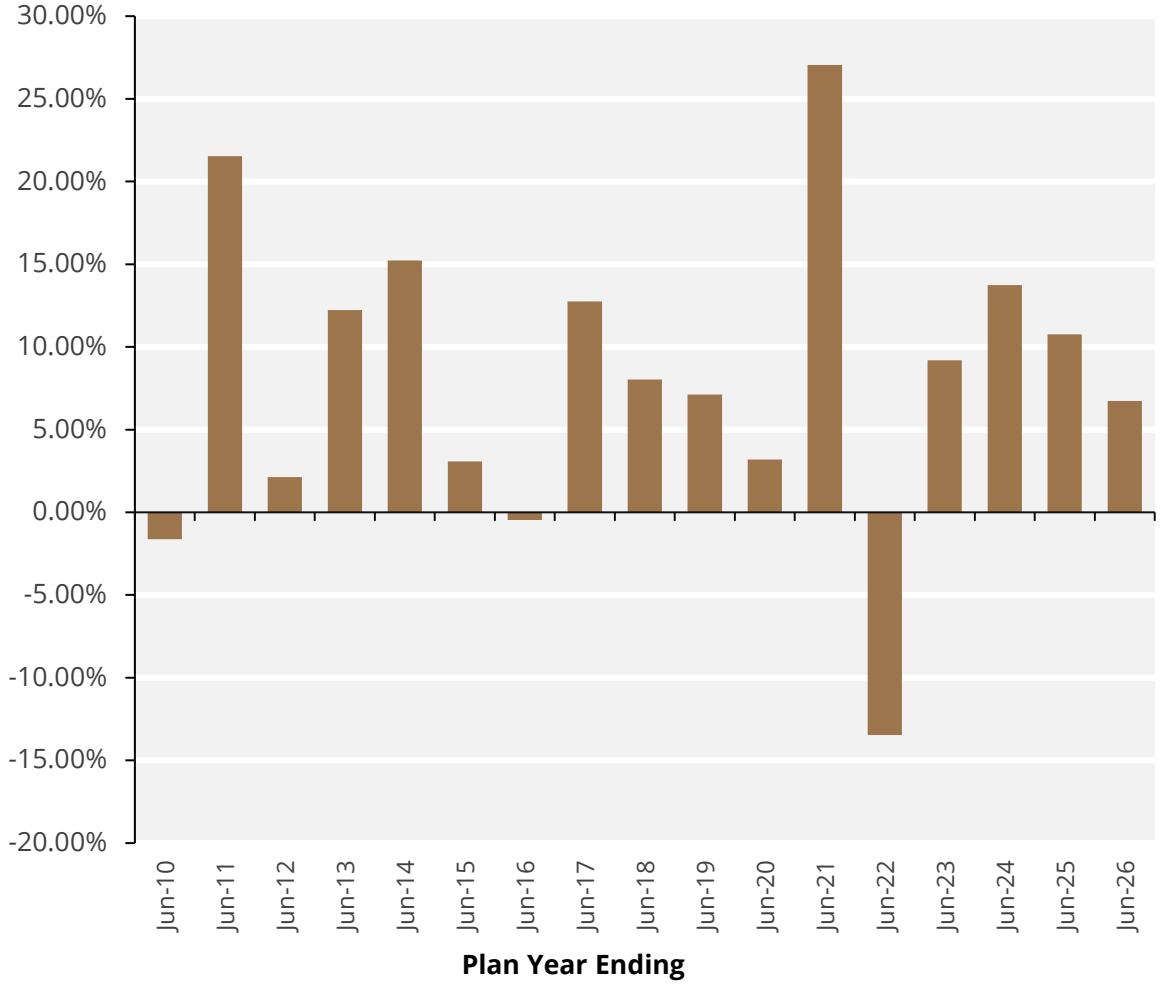
OPEB ACTUARIAL RESULTS

	Measurement Date: June 30, 2024 **Discount Rate: 6.50%** *From the 2024 GASB 75 Actuarial Valuation*	**Measurement Date: June 30, 2025** **Discount Rate: 5.75%** *From the 2025 GASB 75 Actuarial Valuation*
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 *for FY 2023-24*	$755,739 *for FY 2024-25*
Annual Benefit Payments (Pay-as-you-Go)	$741,656 *for FY 2023-24*	$795,977 *for FY 2024-25*

*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

pfm asset management

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*

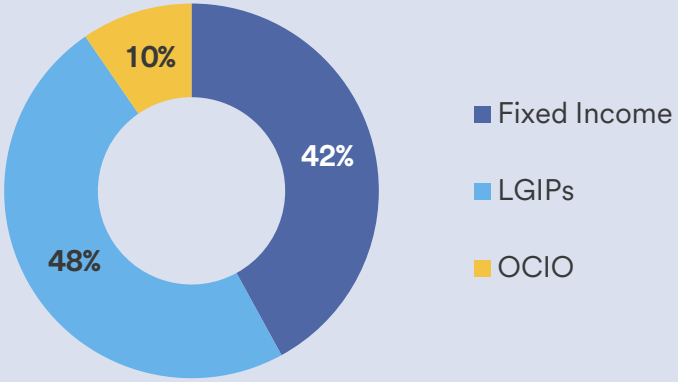
Our Investment Solutions

- **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 Solution[1]



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

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

Financial Markets & Investment Strategy Review

QUARTERLY MARKET SUMMARY

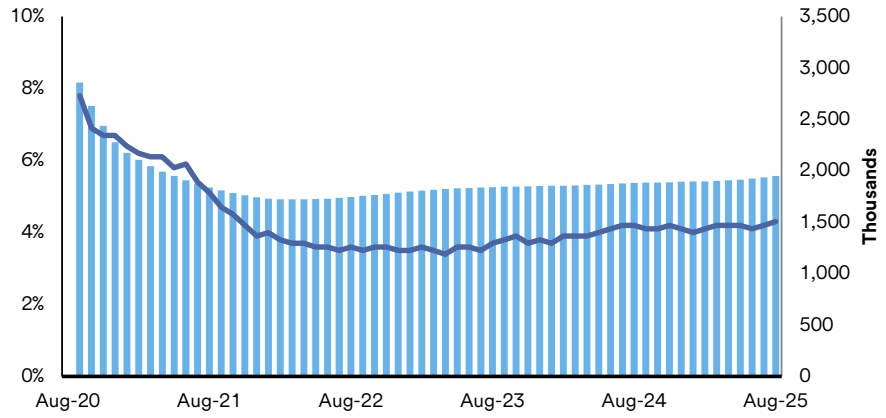
Index or Average Name	QTD	YTD	One Year	Three Year	Five Year	Seven Year	Ten Year
DOMESTIC EQUITY							
S&P 500 (TR)	8.12%	14.83%	17.60%	24.91%	16.46%	14.44%	15.29%
Russell 3000	8.18%	14.40%	17.41%	24.09%	15.73%	13.70%	14.70%
Russell 1000 Growth	10.51%	17.24%	25.53%	31.58%	17.56%	18.09%	18.81%
Russell 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

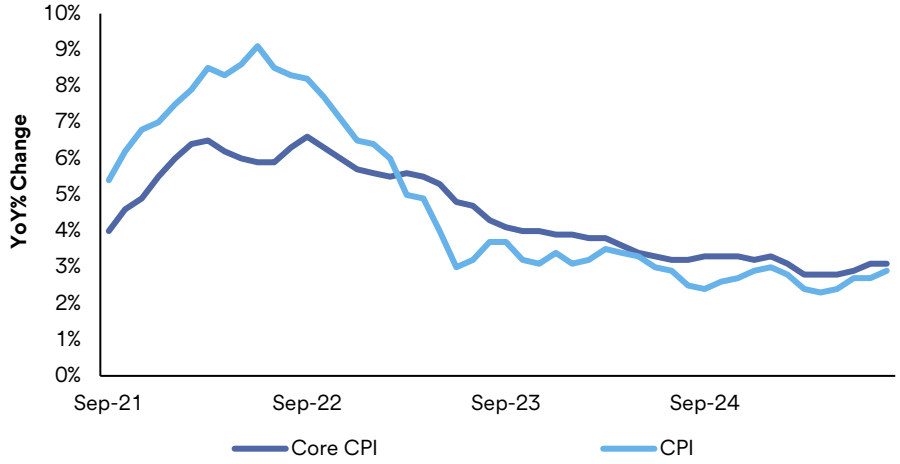
- In the second quarter, U.S. real gross domestic product (GDP) grew at a seasonally adjusted annualized rate of 3.8%, marking the strongest growth since Q3 2023. This rebound in growth was supported by an uptick in consumer spending and business investment. While the data still points to some moderation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



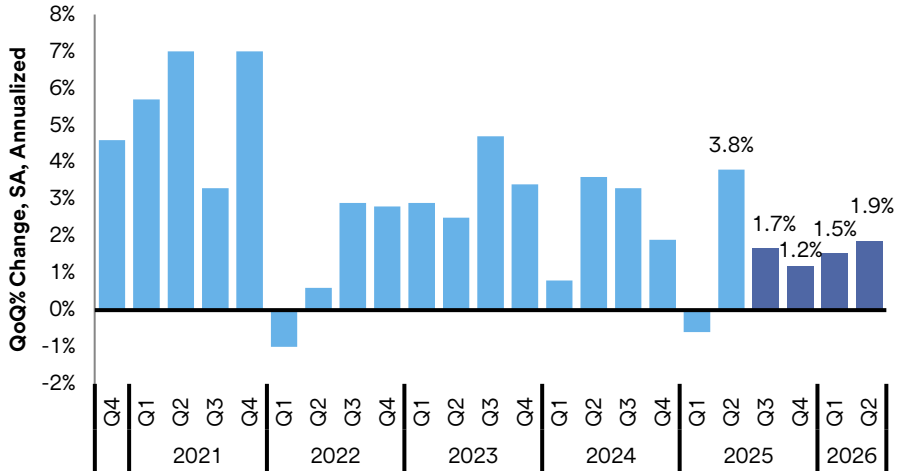
Source: Bloomberg.

U.S. Inflation Rate
Seasonally Adjusted (SA)



Source: Bureau of Labor Statistics.

U.S. GDP Growth

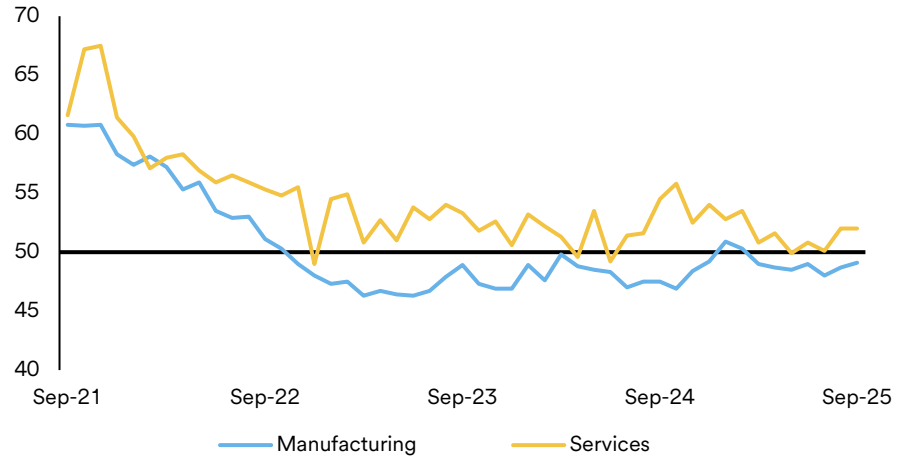


Source: Bloomberg. Light blue bars indicate actual numbers; dark blue bars indicate forecasted estimates.

WHAT WE'RE WATCHING

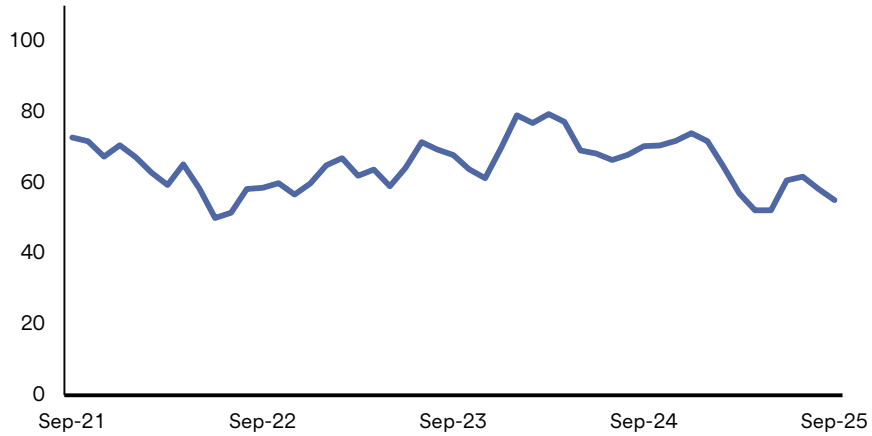
- The Federal Reserve (Fed) cut rates in the third quarter by a quarter percentage point, prompted by increasing weakness in the labor market. The Fed also signaled that two more quarter-percentage-point rate reductions are likely before the end of the year. However, with inflation above the 2% policy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

U.S. ISM Manufacturing & Services PMI



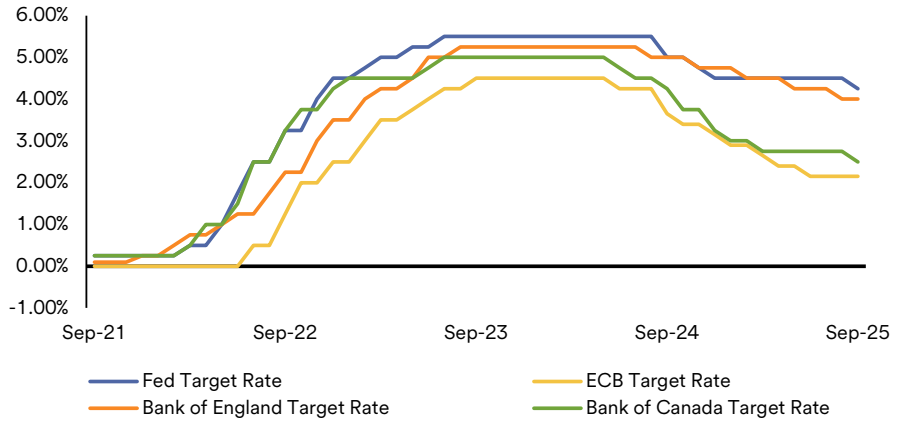
Source: Bloomberg.

University of Michigan Consumer Sentiment



Source: Bloomberg.

Global Central Bank Rates

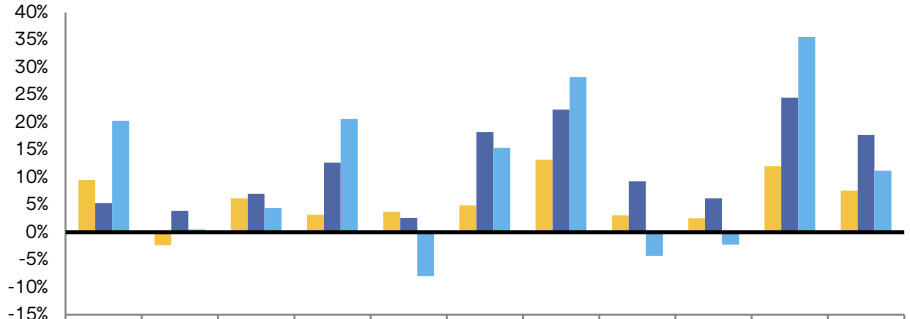


Source: Bloomberg.

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.

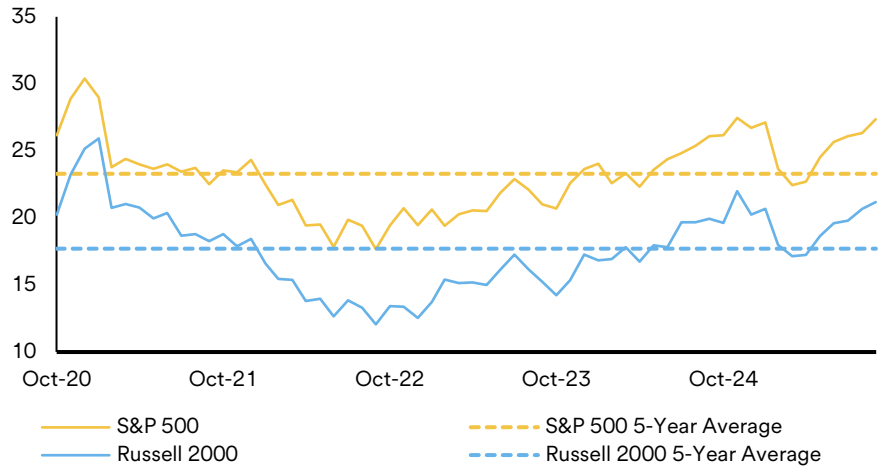
S&P 500 Index Performance by Sector
Periods Ended September 30, 2025



	Consumer Disc.	Consumer Staples	Energy	Financials	H'lthcare	Industrials	Info. Tech	Materials	Real Estate	Telecom	Utilities
QTD	9.54%	-2.36%	6.21%	3.22%	3.76%	4.91%	13.19%	3.10%	2.59%	12.04%	7.57%
YTD	5.30%	3.89%	7.04%	12.70%	2.61%	18.25%	22.31%	9.32%	6.19%	24.51%	17.69%
1 Year	20.31%	0.51%	4.43%	20.66%	-7.95%	15.40%	28.22%	-4.27%	-2.24%	35.55%	11.20%

Source: Bloomberg.

P/E Ratios of Major Stock Indices*

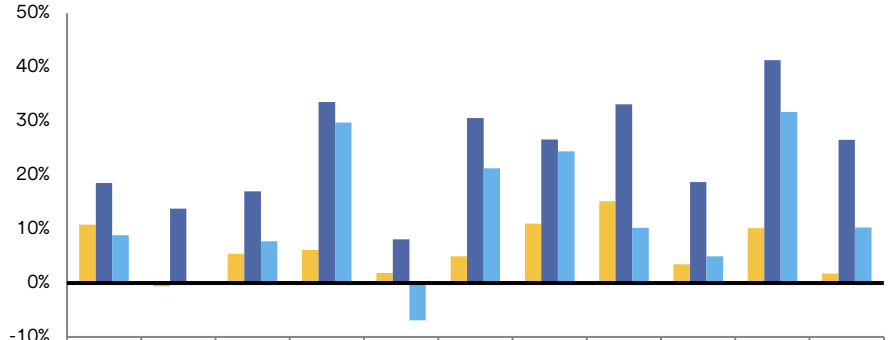


Source: Bloomberg.
**P/E ratios are calculated based on one-year forward estimates and adjusted to include only positive earnings results for consistency.*

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.

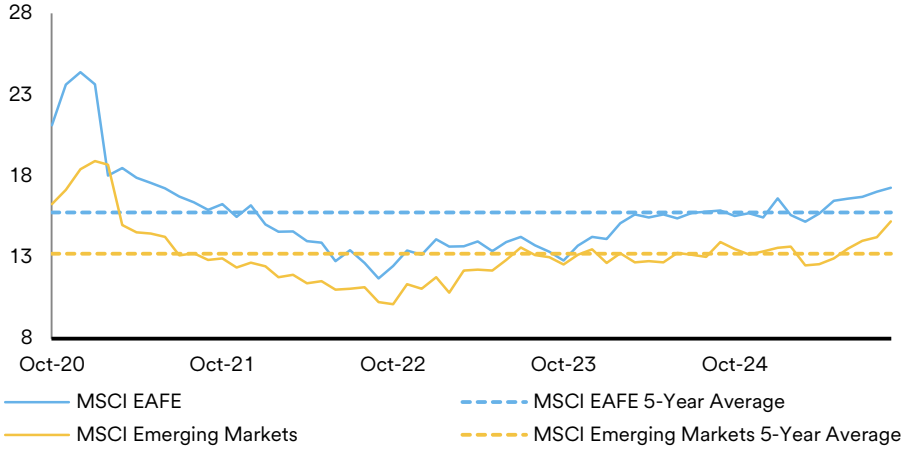
MSCI ACWI ex-U.S. Sectors
Periods Ended September 30, 2025



	Consumer Disc.	Consumer Staples	Energy	Financials	Healthcare	Industrials	Info Tech	Materials	Real Estate	Telecom	Utilities
QTD	10.80%	-0.60%	5.43%	6.14%	1.87%	4.94%	10.97%	15.14%	3.47%	10.15%	1.77%
YTD	18.49%	13.78%	16.98%	33.49%	8.11%	30.51%	26.60%	33.09%	18.67%	41.25%	26.53%
1 Year	8.88%	-0.31%	7.70%	29.71%	-6.88%	21.26%	24.39%	10.21%	4.97%	31.66%	10.28%

Source: Bloomberg.

P/E Ratios of MSCI Equity Indices*

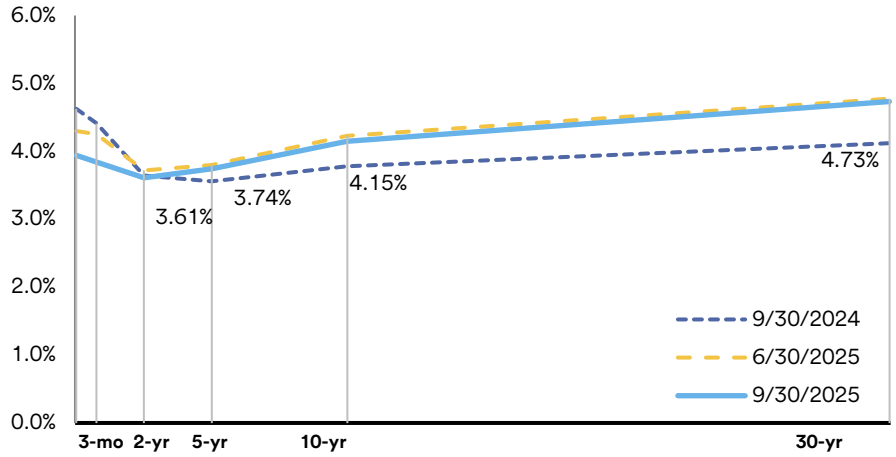


Source: Bloomberg.
**P/E ratios are calculated based on one-year forward estimates and adjusted to include only positive earnings results for consistency.*

FIXED INCOME

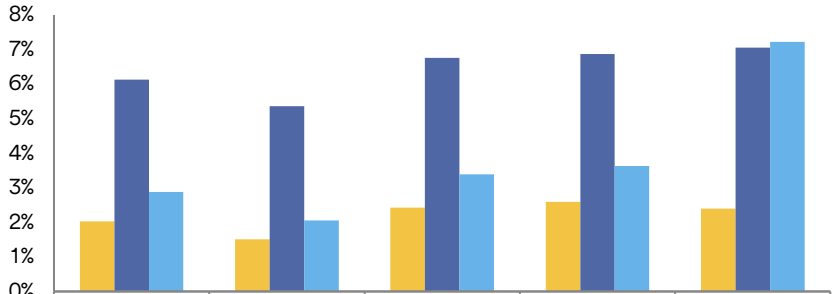
- The U.S. bond market, represented by the Bloomberg U.S. Aggregate Index, returned 2.0% during the third quarter.
- The Bloomberg U.S. Treasury Index closed the quarter returning 1.5%. As the Fed cut rates for the first time in September 2025 and guided two more rate cuts for the year, the yield curve 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



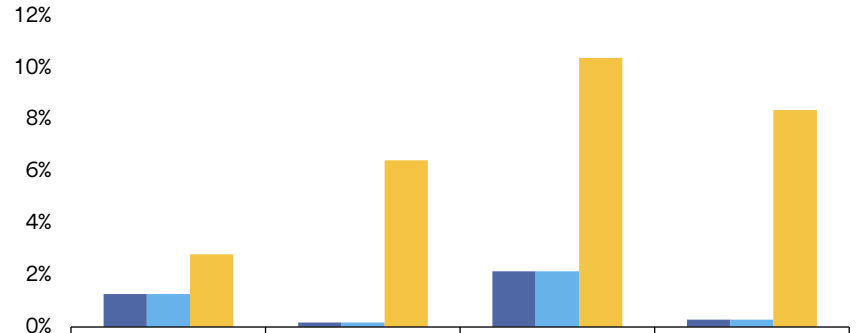
	Blmbg U.S. Aggregate	Blmbg U.S. Treasury	Blmbg U.S. MBS	Blmbg U.S. Corporate	ICE BofA U.S. HY
QTD	2.03%	1.51%	2.43%	2.60%	2.40%
YTD	6.13%	5.36%	6.76%	6.88%	7.06%
1 Year	2.88%	2.06%	3.39%	3.63%	7.23%

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.

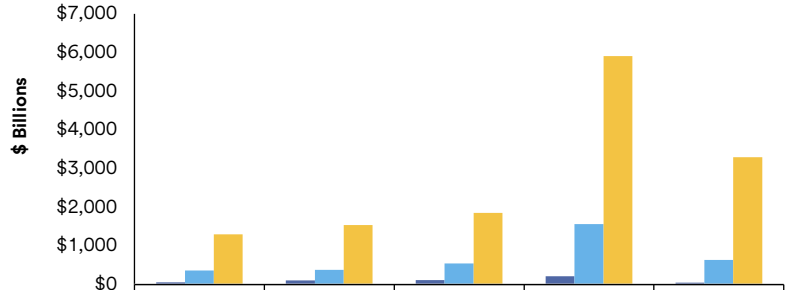
Returns for Private Capital Assets



	Private Real Estate	Infrastructure	Private Debt	Private Equity
QTD	1.27%	0.17%	2.14%	0.28%
YTD	1.27%	0.17%	2.14%	0.28%
1 Year	2.80%	6.42%	10.37%	8.36%

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

Private Capital Fundraising & Dry Powder

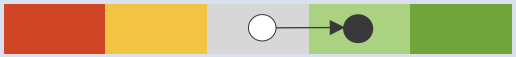


	Closed-End Real Estate	Infrastructure	Private Debt	Private Equity	Venture Capital
YTD Fundraising ($B)*	$55.57	$103.98	$114.18	$212.51	$50.38
Dry Powder ($B)**	$362.80	$377.75	$542.71	$1,558.75	$632.79
Total AUM ($B)**	$1,298.73	$1,541.08	$1,853.32	$5,906.84	$3,290.58

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.

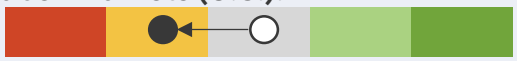
Financial Conditions (U.S.):

- 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.):

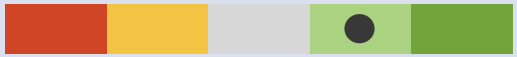
- Slower nominal wage growth combined with higher inflation has eroded real purchasing power. However, consumer activity remained resilient, driven by spending from higher income households.
- Further labor market softness, a significant correction in the equity market or higher pass-through of tariffs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

Labor Markets (U.S.):



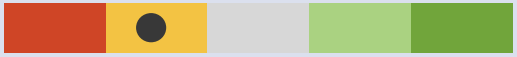
- Labor market conditions continued to cool with net new job creation nearing zero while being concentrated in just a few service sectors. Continued weakening can have impact on consumption.
- Despite some signs of cooling, the layoff rate remains low and points towards employers adopting a "no hire,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

Corporate Fundamentals:



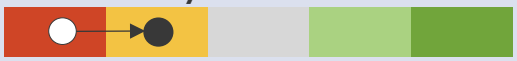
- Earnings growth expectations are positive across global equities, but expectations within U.S. positively impacted by AI spending tailwinds.
- In the U.S., capex deduction changes and rate cuts are positives while tariff/cost pressure impact on both earnings growth expectations and profit margins needs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

Negative	Slightly Negative	Neutral	Slightly Positive	Positive

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

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NCREIF

PitchBook

Cliffwater

Disclosures

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Plan Performance Summary

Asset Allocation & Performance

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

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Asset Allocation & Performance

	Allocation	Performance(%)									
	%	1 Quarter	Year To Date	1 Year	3 Years	5 Years	7 Years	10 Years	Since Inception	Inception Date
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*	

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

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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 of 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.

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

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

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

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

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ADMINISTRATIVE REVIEW

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
- Transaction history
- Downloadable prior statements
- Investment Performance

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

- Opt-In Addendum
- Agency Personnel Designation Form

employer.pars.org

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

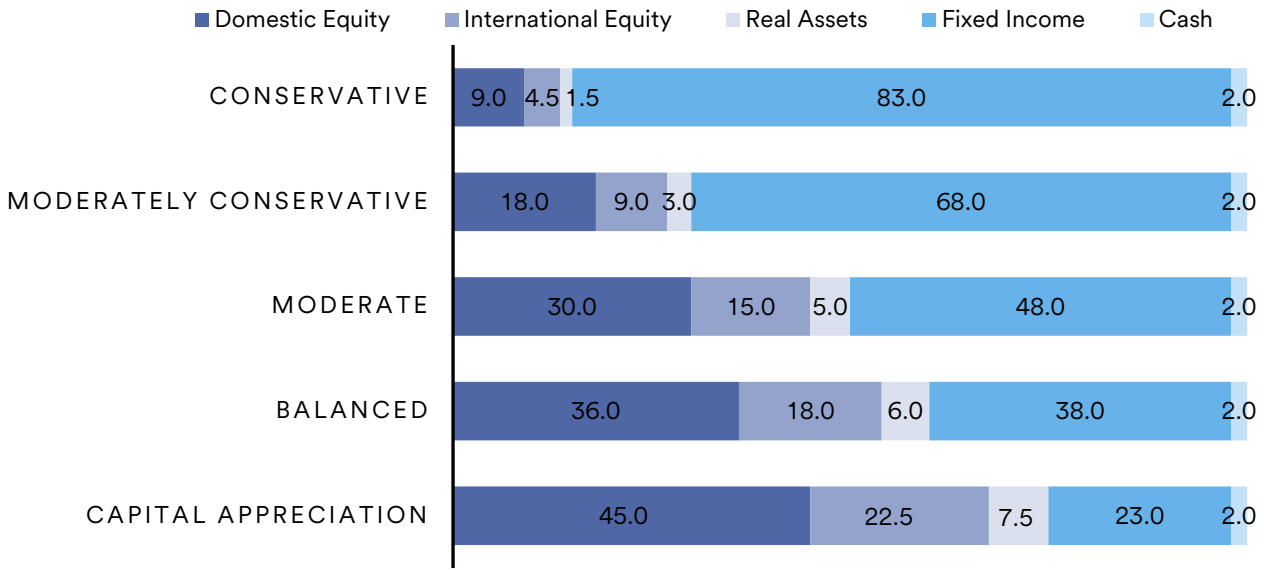
PARS OPEB Trust Program

pfm asset management

Strategy	Asset Class	Strategic Range	Policy	Tactical	Portfolio	Gross Annualized Total Rate of Return 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)

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

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

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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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Agenda Item 7

Finance Committee Meeting

Meeting Date: February 17, 2026

TO: Finance Committee

FROM: Amber Boone, General Manager

STAFF CONTACT: Jack Beck, Accountant

SUBJECT: Use Audit Update and Presentation

Summary/Discussion

The Annual Use Audit was presented at the January 10, 2026, Finance Committee meeting. Agencies requested that staff break out the use audit pre and post reorganization to show where the transferred capacity ownership would be allocated to. This agenda item contains the updated Use Audit and Presentation of the information contained in the audit.

Table 1:Use Audit Summary

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

	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
SOCWA by Member Agency							
City of Laguna Beach	$2,230,996	$2,317,223	($86,227)	($9,631)	($80,092)	($11,132)	($187,083)
City of San Clemente	289,184	254,699	$34,485				$34,485
El Toro Water District	736,087	699,381	$36,706	$16,166		($2,285)	$50,586
Emerald Bay Service District	229,822	194,406	$35,416	$3,364	($6,289)	($423)	$32,069
IRWD (c.o. El Toro W.D.)	181,998	150,464	$31,534				$31,534
MNWD (C/O ETWD)	169,196	150,964	$18,232				$18,232
Moulton Niguel Water District	6,360,750	6,251,968	$108,782	$93,059	($138,813)	$34,640	$97,668
Santa Margarita Water District	6,047,026	6,009,375	$37,651	$110,399	($42,199)	$20,188	$126,039
MNWD (C/O SMWD)	36,554	32,518	$4,036	$19,535			$23,571
South Coast Water District	5,040,936	4,592,624	$448,312	$45,547	($97,495)	$6,000	$402,363
MNWD (C/O SCWD)	1,072,552	816,093	$256,459	($24,066)		($2,544)	$229,849
Total Member Agency	**$22,395,101**	**$21,469,716**	**$925,385**	**$254,372**	**($364,889)**	**$44,444**	**$859,313**

Table 2 contains small capital use audit totals, now including the “C/O” portions based on the reorganization agreements. The “C/O” portion are returned to participating agencies who will work with MNWD on distribution of identified funds.

Table 2: Small Capital Use Audit Summary

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

	CLB	ETWD	EBSD	MNWD	SMWD	SMWD C/O MNWD	SCWD	SCWD C/O MNWD	Total
PC2 JB Latham					110,399	19,535	50,135	(24,066)	156,003
PC 15 Coastal Treatment Plant	(19,055)		2,875	44,223			(12,080)		15,963
PC 17 Joint Regional Wastewater Reclamation	9,423	16,166	489	48,835			7,493		82,406
Total Small Capital Cash	($9,631)	$16,166	$3,364	$93,059	$110,399	$19,535	$45,547	($24,066)	$254,372

Table 3 contains large capital use audit totals which did not change from the previously distributed use audit due to project close out timing and billing invoice dates. PC2 projects were fully billed out prior to the departure of MNWD. PC15 projects were completed after the reorganization agreements, which did not contemplate on-going projects in the agreements.

Table 3: Large Capital Use Audit Summary

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

	CLB	EBSD	MNWD	SMWD	SCWD	Total
PC2 JB Latham			(91,425)	(42,199)	(34,432)	(168,056)
PC 15 Coastal Treatment Plant	(80,092)	(6,289)	(47,388)		(63,064)	(196,833)
Total Large Capital Cash Due To/(Due From)	($80,092)	($6,289)	($138,813)	($42,199)	($97,496)	($364,889)

Table 4 contains non-capital use audit totals, now including the “C/O” portions based on the reorganization agreements. The “C/O” portion are returned to participating agencies who will work with MNWD on distribution of identified funds.

Table 4: Non-Capital Use Audit Summary

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

	CLB	ETWD	EBSD	MNWD	SMWD	SCWD	SCWD C/O MNWD	Total
PC 2 JB Latham					20,188	14,718	(2,544)	32,362
PC 15 Coastal Treatment Plant	(13,692)		(558)	4,971		(10,760)		(20,039)
PC 17 Joint Regional Wastewater Reclamation	2,560	4,595	135	29,669		2,042		39,001
PC 21 Effluent Transmission Main		(6,880)						(6,880)
Total Non-Capital Cash	(11,132)	(2,285)	(423)	34,640	20,188	6,000	(2,544)	44,444

Recommended Action: Finance Committee Discussion, Direction, Action

Separate Cover: Updated Use Audit with “C/O” columns

Use Audit Presentation

Agenda Item 8

Finance Committee Meeting
Meeting Date: February 17, 2026

TO: Finance Committee

FROM: Amber Boone, General Manager

SUBJECT: FY 26-27 Final Draft O&M Budget

Summary/Discussion

The draft FY 26-27 budget summary tables are included for review and discussion. Table 1 provides the total O&M, Administration, General Fund and UAL/OPEB budgetary results. The Capital Improvement 10-year budget will be discussed on February 19, 2026, at the SOCWA Engineering Committee. Staff requests the Finance Committee members provide comments at the meeting and to staff by February 26, 2026, for review by the SOCWA Board of Directors at the March 5, 2026, Board meeting. Staff assumed a 3% COLA, but official numbers will not be published until Mid-April.

Table 1: Summary FY 26-27 Budget

Project Committee	FY 2026-27 ($)	FY 2025-26 ($)	Difference ($)	Change (%)
PC2	$8,921,939	$8,616,078	$305,861	3.55%
PC5	$927,756	$944,588	($16,831)	-1.78%
PC8	$297,963	$289,662	$8,301	2.87%
PC12	$111,320	$88,769	$22,551	25.40%
PC15	$3,624,246	$3,822,519	($198,272)	-5.19%
PC17	$640,116	$576,240	$63,876	11.08%
PC21	$24,208	$27,589	($3,381)	0.00%
PC23	$10,298	$17,500	($7,202)	0.00%
PC24	$805,340	$807,995	($2,655)	-0.33%
Total Operating	**$15,363,187**	**$15,190,939**	**$172,248**	**1.13%**
Administration	$1,413,675	$1,277,573	$136,102	10.65%
General Fund	$377,185	$523,941	($146,756)	-28.01%
Subtotal O&M_Admin	$17,154,046	$16,992,453	$161,594	0.95%
UAL/OPEB	$2,513,396	$2,477,818	$35,578	1.44%
TOTAL BUDGET	**$19,667,442**	**$19,470,271**	**$197,172**	**1.01%**

The following tables provide more details on the draft budget. Table 2 provides details on the fringe rate multiplier which is applied to the base labor utilization rate for labor costs per project committee (PC). The fringe pool rate decreased 2.12%. Table 3 provides the costs per line item for administration and IT expenses compared over two fiscal years. Table 4 provides the costs per line item general fund expenses compared over two fiscal years. Table 5 provides the cost comparison of Department 01 (Operations) and Department 02 (Environmental).

Table 2: Fringe Rate Comparison Table

South Orange County Wastewater Authority
Fringe Benefits Pool and Rate
FY 2026-27 Fringe Benefits Budget

Liabilities	FY 2026-27 Budget	FY 2025-26 Budget	Change	% Change
Fringe Pool (1)				
457 Plan - Employer Contributions (40.75 Participants)	$ 61,125	$ 63,000	$ (1,875)	-3%
Accrued Administrative Leave	$ 35,250	$ 31,000	$ 4,250	14%
Accrued Personal Leave	$ 79,503	$ 75,000	$ 4,503	6%
Accrued Sick Pay	$ 239,055	$ 242,000	$ (2,945)	-1%
Accrued Vacation	$ 373,832	$ 351,000	$ 22,832	7%
Group Medical Insurance*	$ 870,000	$ 920,000	$ (50,000)	-5%
Group Medical Insurance Waiver	$ 10,800	$ 10,800	$ -	0%
Medicare Tax - Employer	$ 97,000	$ 90,000	$ 7,000	8%
Retiree Health Savings Program (RHS)	$ 57,600	$ 48,000	$ 9,600	20%
Retirement - PERS Normal Costs	$ 558,051	$ 583,000	$ (24,949)	-4%
Workers Compensation Ins.	$ 112,693	$ 210,540	$ (97,847)	-46%
Total O&M Budget Fringe Benefits Pool	**$ 2,494,909**	**$ 2,624,340**	$ (129,431)	-5%
Labor Base (2)				
O&M (Department 01)	$ 2,492,139	$ 2,896,741	$ (404,602)	-14%
Environmental (Department 02)	$ 1,050,854	$ 989,286	$ 61,568	6%
Engineering	$ 353,540	$ 385,991	$ (32,451)	-8%
Admin net of transfer to Engr	$ 751,908	$ 773,482	$ (21,574)	-3%
IT	$ 178,880	$ 151,848	$ 27,032	18%
Total Pay for Time Worked Labor Base	**$ 4,827,321**	**$ 5,197,348**	**$ (370,027)**	-7%
Fringe Rate (3)	**51.7%**	**53.80%**	**-2.12%**	

(1) Fringe pool are liabilities incurred by the Agency as benefits offered to staff.

(2) Labor Base is the total labor based on the labor utilization rate calculated by total hours worked divided by total available hours, 2,080 hours and includes Holiday Pay, Child Leave, Bereavement and Jury Duty.

(3) Fringe rate is calculated by dividing Fringe Pool benefits by the Labor Base

(*) Includes Disability/Life/Dental/Vision Insurance.

Table 3: Administration and IT Comparison Table

South Orange County Wastewater Authority
Administration Expenses Detail by Line Item
(*Includes General Fund Expenses)

Salaries and Fringe	FY 26-27		FY 25-26		% Difference	
	ADMIN DEPT 4	IT DEPT 5	ADMIN DEPT 4	IT DEPT 5	ADMIN DEPT 4	IT DEPT 5
Regular Salaries	$ 751,908	$ 189,613	$ 773,482	$ 151,848	-2.9%	19.9%
Overtime Salaries	$ 950	$ -	$ 530	$ -	44.2%	0.0%
Performance Based Merit Pay	in salary	in salary	$ -	$ -		
Scheduled Holiday Work	$ -	$ -	$ -	$ -		
Comp Time	$ -	$ -	$ 1,060	$ -	#DIV/0!	0.0%
Fringe Benefits IN to PC's & Depts.	$ 388,609	$ 97,998	$ 390,561	$ 76,674	-0.5%	21.8%
Total Payroll Costs	$ -	$ -	$ -	$ -	#DIV/0!	#DIV/0!
	$ 1,141,467	$ 287,611	$ 1,165,633	$ 228,521		
Small Purchases and Consumables	$ 18,000	$ 6,000	$ 26,000	$ 4,000	-44.4%	33.3%
Management Support Services	$ 140,000	$ 130,500	$ 150,000	$ 150,000		
Audit	$ 45,000	$ -	$ 45,000	$ -		
Legal Fees	$ 100,000	$ -	$ 100,000	$ -		
Contract Services Misc.	$ 10,000	$ -	$ 9,709	$ -	2.9%	0.0%
Memberships, Conferences, Training and Travel	$ 121,000	$ 7,760	$ 121,000	$ 7,025	0.0%	0.0%
Office Equipment	$ 2,000	$ -	$ 1,000	$ -	50.0%	
Education Reimbursement	$ 1,000	$ -	$ 1,000	$ -	0.0%	
IT O&M	$ -	$ 279,784	$ -	$ 303,831	0.0%	-8.6%
Telecommunications	$ -	$ 162,032	$ -	$ 145,382		10.3%
Scholarship Sponsorship	$ 1,000	$ -	$ 1,000	$ -	0.0%	
Employee Recognition	$ 41,000	$ -	$ 26,050	$ -	36.5%	
Operating Leases	$ -	$ 62,530	$ -	$ 56,000		10.4%
Monthly Car Allowance	$ 19,200	$ 4,200	$ 16,200	$ 4,200	15.6%	0.0%
Laboratory Lease	$ -	$ -	$ -	$ -	0.0%	
IT Allocations in to PC's & Depts.	$ 150,847	$ -	$ 138,922	$ -	7.9%	
Subtotal Other Expenses	$ 649,047	$ 652,806	$ 635,881	$ 670,438	2.0%	-2.7%
Total Expenses (Including Labor & Fringe)	**$ 1,790,514**	**$ 940,417**	**$ 1,801,514**	**$ 898,959**	**-0.6%**	**4.4%**

Table 4: General Fund Comparison Table

South Orange County Wastewater Authority
Administration and General Fund Expenses Detail by Line Item

Salaries and Fringe	Total Admin	General Fund Portion	Remaining Admin
Regular Salaries-O&M	$ 751,908	$ 152,695	$ 599,213
Overtime Salaries-O&M	$ 950	$ 475	$ 475
Fringe Benefits IN to PC's & Depts.	$ 388,609	$ 78,918	$ 309,692
Total Payroll Costs	$ 1,141,467	$ 232,088	$ 909,380
Small Purchases and Consumables	$ 18,000	$ 1,330	$ 16,670
Management Support Services	$ 140,000	$ -	$ 140,000
Audit	$ 45,000	$ 45,000	$ -
Legal	$ 100,000	$ 67,000	$ 33,000
Public Relations	$ -	$ -	$ -
Contract Services Misc.	$ 10,000	$ -	$ 10,000
Memberships, Conferences, Training and Travel	$ 121,000	$ 27,800	$ 93,200
Office Equipment	$ 2,000	$ -	$ 2,000
Education Reimbursement	$ 1,000	$ -	$ 1,000
Scholarship Sponsorship	$ 1,000	$ -	$ 1,000
Employee Recognition	$ 41,000	$ -	$ 41,000
Monthly Car Allowance	$ 19,200	$ 3,900	$ 15,300
IT Allocations in to PC's & Depts.	$ 150,847		$ 150,847
Subtotal Other Expenses	**$ 649,047**	**$ 145,030**	**$ 504,017**

Total Expenses (Including Labor & Fr	**$ 1,790,514**	**$ 377,118**	**$ 1,413,397**

Table 5: Department 01 and 02 O&M Comparison Table

South Orange County Wastewater Authority
Year Over Year O & M, Environmental & Safety Departments Budget Summary

FY26-27 BUDGET

ALL PCs	DEPT 04 Admin	DEPT 05 IT	PC 02 DEPT 01	PC 02 DEPT 02	PC 05 DEPT 01	PC 05 DEPT 02	PC 08 DEPT 02	PC 12 DEPT 02	PC 15 DEPT 01	PC 15 DEPT 02	PC17 LAB DEPT 01	PC17 LAB DEPT 02	PC 21 DEPT 01	PC 23 DEPT 01	PC 24 DEPT 01	PC 24 DEPT 02	Total FY 2026-27	Total FY 2025 26	Delta
											not used								
Salary and Fringe																			
-5000--**-** Regular Salaries-O&M	$ 751,908	$ 189,513	$ 1,983,579	$ 221,395	$ 24,703	$ 93,160	$ 142,104	$ 39,057	$ 873,998	$ 192,159		$ 270,693	$ 7,060	$ 2,000	$ 6,951	$ 92,244	$ 3,949,143	$ 4,659,509	$ (710,366)
-5001--**-** Overtime Salaries-O&M	$ 950	$ -	$ 42,000	$ 300	$ -	$ 500	$ -	$ -	$ 14,000	$ 300		$ 600	$ -	$ -	$ 1,000	$ 1,000	$ 59,700	$ 57,471	$ 2,229
-5306--**-** Scheduled Holiday Work	$ -	$ -	$ 25,000	$ 2,800	$ -	$ 500	$ -	$ -	$ 9,000	$ 1,400		$ 3,400	$ -	$ -	$ -	$ 500	$ 42,800	$ 40,772	$ 1,828
-5315--**-** Comp Time - O&M	$ -	$ -	$ 20,000	$ 1,300	$ -	$ -	$ -	$ -	$ 5,000	$ -		$ 1,500	$ -	$ -	$ -	$ -	$ 27,800	$ 18,026	$ 9,774
-5401--**-** Fringe Benefits IN to PC's & Depts.	$ 388,941	$ 98,081	$ 1,026,051	$ 114,522	$ 12,778	$ 48,189	$ 76,452	$ 20,203	$ 452,095	$ 99,419		$ 140,022	$ 3,652	$ 1,035	$ 3,596	$ 47,715	$ 2,045,728	$ 2,352,764	$ (307,036)
-5700--**-** Standby Pay	$ -	$ -	$ 58,000	$ -	$ -	$ -	$ -	$ -	$ 20,000	$ -		$ -	$ -	$ -	$ -	$ -	$ 78,000	$ 53,000	$ 25,000
Total Payroll Costs	$ 1,141,799	$ 287,594	$ 3,154,629	$ 340,317	$ 37,481	$ 142,350	$ 218,556	$ 59,260	$ 1,374,093	$ 293,319		$ 416,214	$ 10,712	$ 3,035	$ 11,547	$ 141,459	$ 6,202,971	$ 7,187,373	$ (984,402)
Other Expenses																	$ -		
-5002--**-** Electricity	$ -	$ -	$ 870,000	$ -	$ -	$ -	$ -	$ -	$ 341,000	$ -		$ -	$ -	$ -	$ -	$ -	$ 1,211,000	$ 1,101,040	$ 109,960
-5003--**-** Natural Gas	$ -	$ -	$ 222,480	$ -	$ -	$ -	$ -	$ -	$ 3,500	$ -		$ -	$ -	$ -	$ -	$ -	$ 225,980	$ 225,980	$ -
-5004--**-** Potable & Reclaimed Water	$ -	$ -	$ 28,620	$ -	$ -	$ -	$ -	$ -	$ 26,302	$ -		$ -	$ -	$ -	$ -	$ -	$ 54,922	$ 51,000	$ 3,922
-5006--**-** Chlorine/Sodium Hypochlorite	$ -	$ -	$ 68,900	$ -	$ -	$ -	$ -	$ -	$ 204,000	$ -		$ -	$ -	$ -	$ -	$ -	$ 272,900	$ 182,500	$ 90,400
-5007--**-** Polymer Products	$ -	$ -	$ 550,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -		$ -	$ -	$ -	$ -	$ -	$ 550,000	$ 550,000	$ -
-5008--**-** Ferric Chloride	$ -	$ -	$ 400,000	$ -	$ -	$ -	$ -	$ -	$ 200,000	$ -		$ -	$ -	$ -	$ -	$ -	$ 600,000	$ 700,000	$ (100,000)
-5009--**-** Odor Control Chemicals	$ -	$ -	$ 48,000	$ -	$ -	$ -	$ -	$ -	$ 70,000	$ -		$ -	$ -	$ -	$ -	$ -	$ 118,000	$ 115,000	$ 3,000
-5010--**-** Small Purchases and Consumables	$ 18,000	$ 6,000	$ 151,100	$ 1,500	$ -	$ -	$ 5,000	$ -	$ 58,000	$ 1,500		$ 1,500	$ 1,000	$ -	$ -	$ -	$ 219,600	$ 243,515	$ (23,915)
-5011--**-** Laboratory Services	$ -	$ -	$ -	$ 15,400	$ -	$ -	$ 6,000	$ -	$ -	$ 18,500		$ 30,900	$ -	$ -	$ -	$ -	$ 70,800	$ 66,104	$ 4,696
-5012--**-** Grit Hauling	$ -	$ -	$ 80,000	$ -	$ -	$ -	$ -	$ -	$ 26,400	$ -		$ -	$ -	$ -	$ -	$ -	$ 106,400	$ 102,000	$ 4,400
-5015--**-** Management Support Services	$ 140,000	$ 130,500	$ 15,000	$ 30,000	$ -	$ 100,000	$ 20,600	$ 35,000	$ 12,500	$ 22,000		$ 5,000	$ -	$ -	$ -	$ 100,000	$ 340,100	$ 557,500	$ (217,400)
-5016--**-** Audit	$ 45,000	$ -	$ -	$ 500	$ -	$ 500	$ 1,400	$ 500	$ -	$ 500		$ 500	$ -	$ -	$ -	$ 500	$ 4,400	$ 49,356	$ (44,956)
-5017--**-** Legal Fees	$ 100,000	$ -	$ 5,000	$ -	$ -	$ -	$ -	$ -	$ 5,000	$ -		$ -	$ -	$ -	$ -	$ -	$ 10,000	$ 110,000	$ (100,000)
-5018--**-** Public Relations	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-5019--**-** Contract Services Misc.	$ 10,000	$ -	$ 343,000	$ -	$ -	$ 6,000	$ 1,600	$ -	$ 228,145	$ -		$ 28,600	$ -	$ -	$ -	$ 6,000	$ 613,345	$ 575,809	$ 37,536
-5027--**-** Insurance - Property/Liability	$ -	$ -	$ 330,520	$ -	$ -	$ 90,034	$ 5,427	$ 2,033	$ 141,552	$ -		$ 10,852	$ 12,496	$ 7,283	$ -	$ 83,254	$ 683,412	$ 745,926	$ (62,514)
-5030--**-** Trash Disposal	$ -	$ -	$ 4,500	$ -	$ -	$ -	$ -	$ -	$ 4,000	$ -		$ -	$ -	$ -	$ -	$ -	$ 8,500	$ 6,000	$ 2,500
-5033--**-** Recruitment	$ -	$ -	$ 1,000	$ -	$ -	$ -	$ -	$ -	$ 500	$ -		$ -	$ -	$ -	$ -	$ -	$ 1,500	$ 1,300	$ 200
-5034--**-** Memberships, Conferences, Training and Travel	$ 121,000	$ 7,760	$ 93,170	$ 9,700	$ -	$ 10,000	$ 9,600	$ 6,000	$ 83,277	$ 9,400		$ 5,200	$ -	$ -	$ -	$ 10,000	$ 238,947	$ 333,430	$ (97,083)
-5036--**-** Laboratory Supplies	$ -	$ -	$ -	$ 24,300	$ -	$ 35,000	$ -	$ -	$ -	$ 23,100		$ 40,600	$ -	$ -	$ -	$ 35,200	$ 158,600	$ 144,522	$ 14,078
-5037--**-** Office Equipment	$ 2,000	$ -	$ 14,000	$ -	$ -	$ -	$ -	$ -	$ 3,000	$ -		$ -	$ -	$ -	$ -	$ -	$ 17,000	$ 18,000	$ (1,000)
-5038--**-** Permits	$ -	$ -	$ -	$ 35,000	$ -	$ 382,700	$ 600	$ -	$ -	$ 3,500		$ -	$ -	$ -	$ -	$ 328,900	$ 750,700	$ 749,801	$ 899
-5044--**-** Offshore Monitoring	$ -	$ -	$ -	$ -	$ -	$ 51,500	$ -	$ -	$ -	$ -		$ -	$ -	$ -	$ -	$ 51,500	$ 103,000	$ 100,000	$ 3,000
-5045--**-** Offshore Biochemistry	$ -	$ -	$ -	$ -	$ -	$ 14,000	$ -	$ -	$ -	$ -		$ -	$ -	$ -	$ -	$ 4,000	$ 18,000	$ 22,000	$ (4,000)
-5046--**-** Effluent Chemistry	$ -	$ -	$ -	$ -	$ -	$ 29,870	$ -	$ -	$ -	$ -		$ -	$ -	$ -	$ -	$ 24,600	$ 54,470	$ 53,880	$ 1,590
-5047--**-** Access Road Damage	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 15,000	$ -		$ -	$ -	$ -	$ -	$ -	$ 15,000	$ 48,000	$ (33,000)
-5048--**-** Storm Damage	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 20,000	$ -		$ -	$ -	$ -	$ -	$ -	$ 20,000	$ 20,000	$ -
-5049--**-** Biosolids Disposal	$ -	$ -	$ 775,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -		$ -	$ -	$ -	$ -	$ -	$ 775,000	$ 800,000	$ (25,000)
-5053--**-** Digester Cleaning	$ -	$ -	$ 62,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -		$ -	$ -	$ -	$ -	$ -	$ 62,000	$ -	$ -
-5054--**-** Diesel Truck Expenses	$ -	$ -	$ 29,000	$ -	$ -	$ -	$ -	$ -	$ 1,500	$ -		$ -	$ -	$ -	$ -	$ -	$ 30,500	$ 30,500	$ -
-5056--**-** Maintenance Equip. & Facilities (Solids)	$ -	$ -	$ 125,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -		$ -	$ -	$ -	$ -	$ -	$ 125,000	$ 125,000	$ -
-5057--**-** Maintenance Equip. & Facilities (Liquids)	$ -	$ -	$ 200,000	$ -	$ -	$ -	$ -	$ -	$ 103,000	$ -		$ -	$ -	$ -	$ -	$ -	$ 303,000	$ 300,000	$ 3,000
-5058--**-** Maintenance Equip. & Facilities (Common)	$ -	$ -	$ 31,500	$ -	$ 1,000	$ -	$ -	$ -	$ 20,000	$ -		$ -	$ -	$ -	$ 5,000	$ -	$ 57,500	$ 56,000	$ 1,500
-5059--**-** Maintenance Equip. & Facilities (Co-Gen)	$ -	$ -	$ 351,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -		$ -	$ -	$ -	$ -	$ -	$ 351,000	$ 308,000	$ 43,000
-5060--**-** Maintenance Equip. & Facilities (AWT)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 35,000	$ -		$ -	$ -	$ -	$ -	$ -	$ 35,000	$ 30,000	$ 5,000
-5062--**-** MNWD Potable Water Supplies & Svcs.	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -		$ 42,200	$ -	$ -	$ -	$ -	$ 42,200	$ 41,000	$ 1,200
-5074--**-** Education Reimbursement	$ 1,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -		$ -	$ -	$ -	$ -	$ -	$ -	$ 1,000	$ (1,000)
-5076--**-** IT/SCADA O&M	$ -	$ 279,784	$ 51,000	$ -	$ -	$ -	$ -	$ -	$ 51,000	$ -		$ -	$ -	$ -	$ -	$ -	$ 102,000	$ 220,000	$ (118,000)
-5078--**-** Telecommunications	$ -	$ 162,032	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-5079--**-** Scholarship Sponsorship	$ 1,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -		$ -	$ -	$ -	$ -	$ -	$ -	$ 1,000	$ (1,000)
-5101--**-** Employee Recognition	$ 41,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -		$ -	$ -	$ -	$ -	$ -	$ -	$ 26,050	$ (26,050)
-5103--**-** Contract Labor	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-5305--**-** Group Insurance Waiver	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -		$ 3,600	$ -	$ -	$ -	$ -	$ 3,600	$ 3,600	$ -
-5305--**-** Medicare Tax Payments for Employees	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-5309--**-** Operating Leases	$ -	$ 62,530	$ 20,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -		$ -	$ -	$ -	$ -	$ -	$ 20,000	$ 66,000	$ (46,000)
-5705--**-** Monthly Car Allowance	$ 19,200	$ 4,200	$ 9,300	$ 600	$ -	$ 700	$ 700	$ 700	$ 8,400	$ -		$ 700	$ -	$ -	$ -	$ 700	$ 21,800	$ 39,000	$ (17,200)
-5799--**-** Stormwater Station Costs Share - O&M	$ -	$ -	$ (14,000)	$ -	$ -	$ -	$ -	$ -	$ -	$ -		$ -	$ -	$ -	$ -	$ -	$ (14,000)	$ (14,000)	$ -
-5777--**-** Laboratory Lease	$ -	$ -	$ -	$ 3,000	$ -	$ 3,000	$ -	$ -	$ -	$ 3,000		$ -	$ -	$ -	$ -	$ 3,000	$ 12,000	$ 12,000	$ -
-6500--**-** IT Allocations in to PC's & Depts.	$ 150,860	$ -	$ 397,533	$ 44,370	$ 4,951	$ 18,670	$ 28,479	$ 7,628	$ 175,160	$ 38,519		$ 54,250	$ -	$ -	$ 1,383	$ 18,467	$ 789,540	$ 888,206	$ (98,666)
Total Expenses FY 25-26 (Including Labor)	$ 1,790,860	$ 940,500	$ 8,417,252	$ 504,887	$ 43,431	$ 884,325	$ 297,963	$ 111,320	$ 3,210,309	$ 413,938		$ 840,116	$ 24,208	$ 10,298	$ 17,940	$ 787,399	$ 15,383,187	$ 16,992,453	$ (1,629,266)
Total Budget Per PC/DEPT FY 26-27	**$ 1,790,860**	**In PC/Ad**	**$ 8,921,939**		**$ 927,756**		**$ 297,963**	**$ 111,320**	**$ 3,624,246**			**$ 640,116**	**$ 24,208**	**$ 10,298**		**$ 805,340**	**$ 17,154,846**	**$ 16,992,453**	**$ 161,594**

OPEB/UAL	$ 2,513,396
Total Budget	$ 19,667,442
Change	1.013%

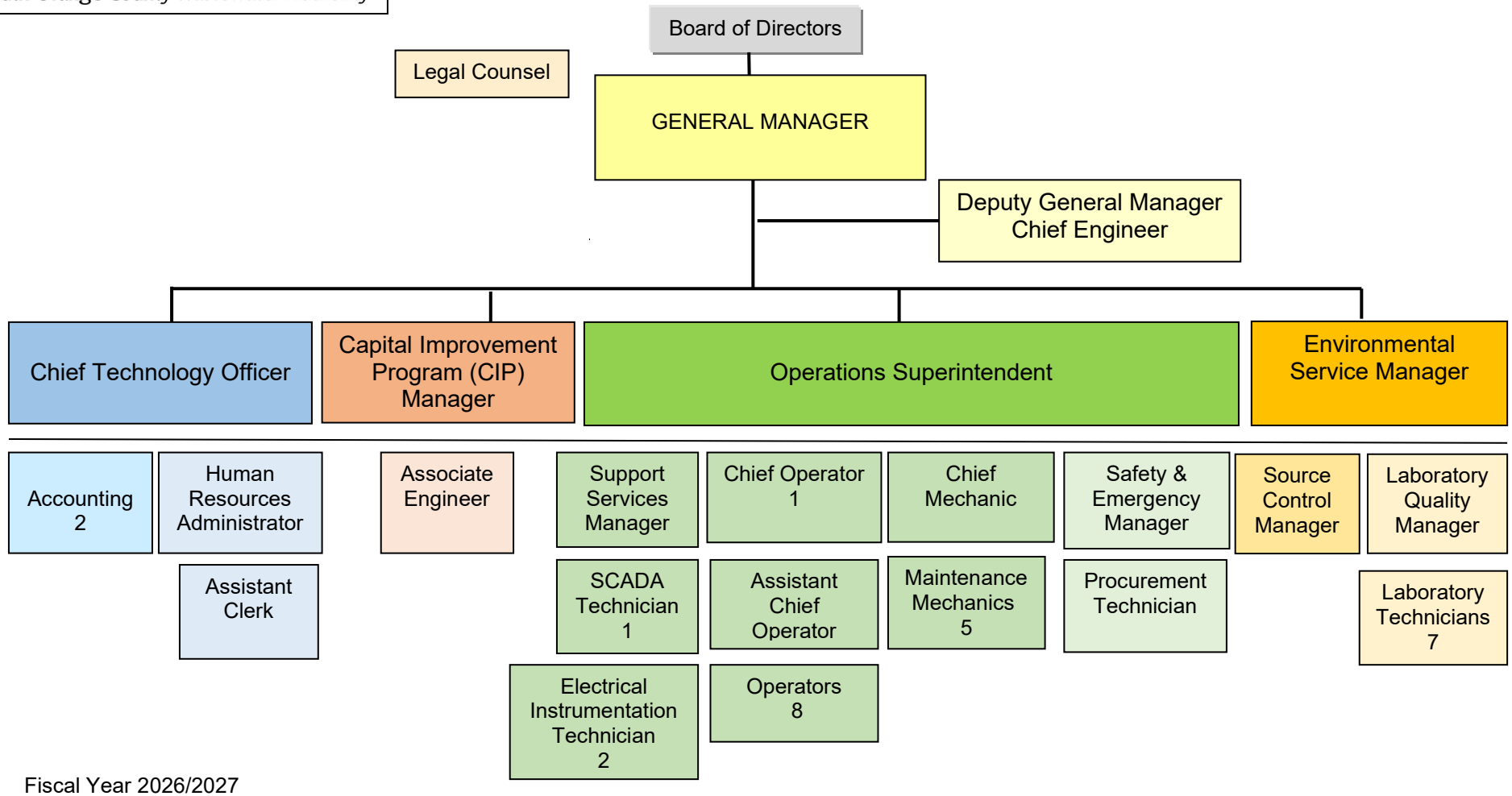
Recommended Action: Finance Committee Discussion, Direction, Action

Attachment: SOCWA Organizational Chart

Under Separate Cover: FY 26-27 Final Draft O&M Budget template

South Orange County Wastewater Authority

EXHIBIT C



Fiscal Year 2026/2027

FTE	**41.75**
Technology Services	4.75
Operations O/M	23
Environmental	10
Engineering	2
GM/DGM	2

Agenda Item 9

Budgeted:	N/A
Legal Counsel Review:	Yes
Meeting Date:	February 17, 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, which was reviewed and agreed upon at the February 5, 2026 SOCWA Board meeting. 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 February 17, 2026, Board meeting, and seeks directions to work with the Finance Committee if revision of the Cost Allocation Policy language for allocation to the general ledger is necessary. as recommended by the annual financial audit, or if the suggested language belongs in the SOCWA Financial Manual.

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%
Public Relations	Board ~~Member Agency~~ Directed
Contract Labor/Part-Time Labor	25%
Audit	100%
Legal Fees	40%
Memberships, Conferences, Training, and Travel	75%
Small Purchases and Consumables	5%
IT Allocations into PC's & Depts.	5%

Definitions of the General Fund:

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

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

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

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

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

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

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

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

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

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

5. **Other Budget Components**:

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

Cost Allocations

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

Engineering Allocations

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

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

Administrative Cost Allocation

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

Fringe Benefit Allocation

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

Information Technology Allocation

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

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

Unfunded Liabilities Allocation

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

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

Contracted Services Allocations

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

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

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

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

Project Committee Allocation

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

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

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

Project Committee	Description	SOCWA Participating Member Agencies	Contract Agencies

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

Agency Abbreviations:

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

PC 2 (JB Latham WWTP)

PC 2 O&M costs are budgeted and allocated based on the capacity rights specified in the Assignment and Assumption Agreement (PC 2) (Agreement No.5/Agreement #7 to PC 2, effective December 12, 2024), as outlined in Table 3. Please note that, based on the agreement, *MNWD costs are combined with SCWD costs, effective December 12, 2024:* "MNWD's 23.08% liquids treatment capacity allocation in (and effluent from) the JB Latham Treatment Plant, totaling 3.00 mgd; and (ii) MNWD's 21.62% solids treatment capacity allocation in the JB Latham Treatment Plant, totaling 8,340 lbs/day ((i))".

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

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

PC 5 (San Juan Creek Ocean Outfall)

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

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

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

PC 8 (Pretreatment Costs)

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

PC 12 (Water Reclamation Permits)

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

- MNWD: The amount of reclaimed water produced from the Regional Treatment Plant (RTP) and the 3A Treatment Plant (split with SMWD).

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

PC 15 (Coastal Treatment Plant) Allocation

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

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

Agencies	Liquids (mgd)	AWT (%)	Common (%)
CLB	3.64	0	54.30%
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
EBSD	4.12

PC 24 (Aliso Creek Ocean Outfall) Costs

PC 24 O&M costs are budgeted and allocated according to hydraulic capacity ownership as set forth in the December 12, 2024, Assignment and Assumption Agreement (Agreement No.7) (Project Committees 21 and 24) as noted in Table 8. As noted in the Agreement: "*Note MNWD costs are combined with ETWD costs, effective December 12, 2024.* Assignment and Acceptance of MNWD's Assigned Capacity and Rights and Obligations. MNWD hereby permanently assigns to ETWD, and ETWD hereby accepts from MNWD, (1) MNWD's 53.42% capacity allocation in Reach E of the Effluent Transmission Main; (2) MNWD's 43.848% capacity allocation in the ACO Outfall ((1) and (2) are collectively referred to herein as "MNWD's Assigned Capacity"). Note that IRWD transferred capacity rights to ETWD effective July 1, 2023 via an Assignment and Assumption Agreement.

Table 8: PC 24 - Aliso Creek Ocean Outfall (ACOO) Capacity Summary (Owned and Operated by SOCWA)

Agency	Hydraulic Capacity (mgd)	Ownership Percent (%)
CLB	5.500	11.00%
EBSB	0.390	0.78%

ETWD	37.955	75.91%
SCWD	6.155	12.31%
Total	50.000	100.00%

Cost Allocation Principles for SOCWA Wastewater Treatment Facilities

The following principles guide SOCWA's cost allocation methodologies and are applicable to PC 2 & PC 15. The other PCs have fixed cost distribution (PC 5 & PC 24), and are based on production (PC 12), or labor allocation (PC 8). Additional allocation categories are described below.

Treatment Plant Cost Allocation Categories

1. Process-Based Allocation: Costs are allocated based on operational processes (Liquids, Solids, Common, AWT).
2. Facility-Specific Considerations: Each facility has a unique allocation structure reflecting its operational characteristics.
3. Direct vs. Shared Costs: Direct costs are allocated to specific processes; shared resources are allocated proportionally.
4. Labor Distribution: Based on actual time spent supporting each facility or project committee.
5. Utility-Specific Allocation: Based on metering data and operational requirements.
6. Chemical Usage Tracking: Based on actual usage by treatment process, resolved in the use audit.
7. Equipment-Based Allocation: Based on the primary function of equipment (solids, liquids, or common costs).

PC 2 Cost Allocation Structure

PC 2 operates with a four-way allocation system distributing costs among Liquids (55.1%), Solids (43.4%), Common/Liquids (0.8%), and common Solids (0.8%) treatment processes. This allocation structure applies to regular labor costs, benefits, and most operational expenditures. Notable variations include:

- Electricity: 65.0% Liquids, 25.0% Solids, 5.0% Common/Liquids, 5.0% Common/Solids
- Natural Gas: 65.0% Liquids, 25.0% Solids, 5.0% Common/Liquids, 5.0% Common/Solids
- Chlorine/Sodium Hypochlorite: 50.0% Liquids, 50.0% Solids
- Polymer Products: 100% Solids
- Ferric Chloride: 100% Liquids
- Other Chemicals: 54.0% Liquids, 46.0% Solids
- Non-Control Chemicals: 50.0% Common/Liquids, 50.0% Common/Solids
- Laboratory Services: 75.0% Liquids, 25.0% Solids

- Grit Hauling: 100% Solids
- Capital projects follow the ownership allocations, depending on the type of project, that are presented as the Common-L or Common-S.

PC15 Cost Allocation Structure

PC 15 employs a different allocation structure than PC 2, with costs distributed among Liquids (55.4%), Common/Liquids (3.4%), and AWT (41.2%) treatment processes. This reflects the facility's distinct operational focus. Key allocation patterns include:

- Regular Salaries: 76.4% Liquids, 18.2% Common/Liquids, 5.4% AWT
- Overtime Salaries: 64.9% Liquids, 21.9% Common/Liquids, 13.2% AWT
- Electricity: 100% Liquids
- Natural Gas: 50.0% Liquids, 50.0% Common/Liquids
- Water: 90.0% Liquids, 10.0% AWT
- Chlorine/Sodium Hypochlorite: 100% Liquids
- Ferric Chloride: 100% Liquids
- Laboratory Supplies: 75.0% Liquids, 25.0% AWT
- Petroleum Products: 50.0% Liquids, 3.4% Common/Liquids, 41.2% AWT
- Uniforms: 55.4% Liquids, 3.4% Common/Liquids, 41.2% AWT
- Maintenance Equipment & Facilities (Liquids): 100% Liquids
- Maintenance Equipment & Facilities (Common): 100% Common/Liquids
- Maintenance Equipment & Facilities (AWT): 100% AWT
- Solids Pumping Costs (discussion item)
- Capital projects follow the ownership allocations, depending on the type of project, that are presented as Common or AWT.

PC 5, 21, 23, and 24 Cost Allocation Structure

All budgeted capital and O&M costs for PCs 5, 21, 23, and 24 are allocated based on the Member Agencies' ownership of hydraulic capacity of the pipelines.

Contract Agency Services

SOCWA provides services for Contract Agencies through contractual agreements, such as laboratory and permitting services. The budget for these services is provided to the Contract Agencies by March of each year for approval of continuation of services.

Budget Allocations

Once the total cost of providing staffing and services on behalf of MAs is completed by SOCWA staff and approved by the Board, the following standardized methodology allocates costs to project committees (PCs) and ultimately rolled up to each SOCWA Member Agency. It ensures equitable distribution of operations and maintenance (O&M) expenses, administrative costs, general fund (GF) contributions, unfunded actuarial liability (UAL), and other post-employment benefits (OPEB) liabilities. All allocations shall be based on verifiable data sources, such as capacity rights, labor utilization, or flow percentages, and shall adhere to board-approved guidelines and reorganization agreements. SOCWA staff shall provide Member Agency staff with

the raw data for the allocations and methodology employed with a statement of quality assurance in adherence with the allocation steps below with the annual SOCWA Budget.

The steps for cost allocation are as follows:

1. Allocation Based on Capacity Rights: Utilize established capacity rights to determine the proportional contribution per agency for each PC and MA.
2. Alternative Allocation Methods: In instances where capacity rights are unavailable, employ labor utilization metrics (e.g., “where employee worked”) or flow percentages to calculate the proportional utilization by each agency.
3. Calculation of MA Operating Cost Percentages: Determine the percentage that each MA's operating costs represent relative to the total O&M budgeted expenses. This calculation excludes administrative costs, GF contributions, UAL, and OPEB liabilities.
4. Determination of Administrative Costs per MA: Multiply the percentage derived in Step 3 for each MA by the draft budget amount to compute the total administrative cost attributable to that MA.
5. Computation of Administrative Cost Allocation Percentage: Divide the O&M cost per facility or service budget by the total MA budget to establish the administrative cost allocation percentage.
6. Allocation of General Fund: Calculate the percentage of costs based on Table 1, subtract that amount from the administrative costs and divide equally between the six member agencies.
7. Allocation of Administrative Costs per PC or Service: Multiply the percentage from Step 5 by the total administrative cost from Step 4 to allocate administrative costs to each PC or service.
8. Allocation of UAL and OPEB Liabilities: Use the admin cost allocation percentages per PC (that follows where labor worked) for the liability distribution of the UAL and OPEB. The total liability is the sum of the PCs that the MA is a member of based on UAL Methodology established by the SOCWA Board in 2018[1].
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.

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

[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.

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	Not applicable

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

PC 15

Due to the lack of solids handling capacity at the Coastal Treatment Plant (CTP), allocation methodology is based on flows to the treatment plant. In addition, there are no current flow meters installed to account for any flow sent to CTP from MNWD, so no flow is being accounted for in this PC flow allocation methodology, unless for emergency use as needed through authorization by the PC15 members, with billing based on use, reconciled in the annual use audit. The City of Laguna Beach (CLB) is the average annual flow into CTP (metered). The Emerald Bay Services District (EBSD) is the average annual flow into CTP (calculated from monthly meter read from the lift station divided by the days in the month). The South Coast Water District (SCWD) is the average annual flow into CTP (metered). The meter calibration is performed annually in June.

PC 17

The final use audit will be for FY 24-25 due to the reorganization agreements. The method is therefore included in this policy for memorialization.

PC 17 has liquid and solids contribution. The liquid flow allocation is based on influent flow to the plant. The influent flow is solely contributed by the MNWD. The export sludge line transports solids to RTP from CTP for further processing. The liquid flow from CTP's export sludge line is divided by five and distributed to each agency, then summed up to create a total liquid flow to RTP. The flows are then distributed on a proportional basis. The solids contribution is based on the total daily average pounds contributed by each agency distributed proportionally. The meter calibration is performed annually in June.

PC 24

Fixed costs based on ownership capacity per Member Agency.

Review and Adjustment

Budgeted administrative costs may be adjusted mid-year as necessary to ensure accurate cost allocation, with all adjustments promptly communicated to member agencies. This policy undergoes periodic review during the budget development process, allowing for modifications based on operational changes, financial circumstances, or evolving Member Agency needs. Changes to this policy may only be made by the unanimous consent of all the Participating Member Agencies as set forth in Section 6.3.1 of the SOCWA Joint Powers Agreement.

Policy Approval and Adoption

This Policy has been reviewed by the Authority Board of Directors and adopted by Resolution No. 2025-16 on December 11, 2025, superseding all previous versions.