

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

**March 17, 2026
10:30 a.m.**

NOTICE IS HEREBY GIVEN that a Special Meeting of the South Orange County Wastewater Authority (SOCWA) Finance Committee was called to be held on **March 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 TWENTY-FOUR (24) 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 TWENTY-FOUR (24) 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 TWENTY-FOUR (24) HOURS PRIOR TO THE MEETING, THEY WILL BE AVAILABLE IN THE RECEPTION AREA OF THE AUTHORITY OFFICE AT THE SAME TIME AS THEY ARE DISTRIBUTED TO THE FINANCE COMMITTEE 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: 841 4986 6463
Passcode: 145049

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+16699006833,, 84149866463#,,,,*145049# US (San Jose)

AGENDA

1. Call Meeting to Order
2. Public Comments

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

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3. Approval of Minutes..... 1
 - Finance Committee Meeting of March 3, 2026

Recommended Action: Staff recommends that the Finance Committee approve the subject minutes as submitted.
4. FY 24-25 Use Audit Update..... 3

Recommended Action: Committee Discussion, Direction, or Action
5. FY 26-27 Draft Budget 4

Recommended Action: Staff recommends that the Finance Committee recommends approval of the FY 26-27 Budget
6. Chart of Accounts Update to Improve Administrative Efficiency 5

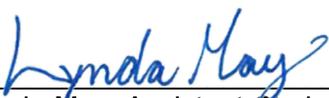
Recommended Action: Committee Discussion, Direction, or Action
7. Contract Services..... 12

Recommended Action: Committee Discussion, Direction, or Action
8. Adjournment

I hereby certify that the foregoing Notice was personally emailed or mailed to each member of the SOCWA Finance Committee at least 24 hours prior to the scheduled time of the Special Meeting referred to above.

I hereby certify that the foregoing Notice was posted at least 24 hours prior to the time of the above-referenced Finance Committee meeting at the usual agenda posting location of the South Orange County Wastewater Authority and at www.socwa.com.

Dated this 12th day of March 2026.



Lynda May, Assistant Clerk
SOUTH ORANGE COUNTY WASTEWATER AUTHORITY

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

Finance Committee

DRAFT

March 3, 2026

The Special Meeting of the South Orange County Wastewater Authority (SOCWA) Finance Committee was held on March 3, 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:

MICHELLE BANNIGAN	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
BOB CULVER	Environmental Service 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
SHANNON ESPINOZA	South Coast Water District
SHERRY WANNINGER	Moulton Niguel 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 10:32 a.m.

2. Public Comments

None.

3. Approval of Minutes

- Finance Committee Meeting of February 17, 2026.

ACTION TAKEN

A motion was made by Director Castillo and seconded by Director Cafferty to approve the Minutes for February 17, 2026, as submitted.

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

4. FY 26/27 Draft Budget

Following a slide presentation and discussion on the FY 2026/27 Budget, the committee agreed to provide feedback by March 20 to ensure the final budget is ready for board approval in April.

5. Use Audit FY 24/25

After an open discussion on the Use Audit, the committee agreed on changing the expense percentage split from 50/50 to 45/55 for the second half of the fiscal year due to the MNWD transition.

6. Adjournment

There being no further business, Chairperson Pender adjourned the meeting at 12:06 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 March 3, 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 Clerk
SOUTH ORANGE COUNTY WASTEWATER AUTHORITY

Agenda Item

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Finance Committee Meeting

Meeting Date: March 17, 2026

TO: Finance Committee
FROM: Amber Boone, General Manager
STAFF CONTACT: Jack Beck, Accountant
SUBJECT: FY 24-25 Use Audit Update

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 using the “C/O” methodology to track capacity transfers post 2024 SOCWA Reorganization. At the March 3, 2026, Finance Committee meeting, SOCWA presented the “C/O” financials with a 50% split pre and post Reorganization. The Finance Committee requested the following, which also incorporated comments received by the Moulton Niguel Water District:

1. Split costs 45%/55% to account for the December 12, 2024, transfer date for pre and post transition use audits.
2. Reflect laboratory services (Department 02) provided after the transition in the post-transition spreadsheet, while allocating all other applicable costs to the pre-transition spreadsheet.

This agenda item contains the updated Use Audit and Presentation of the information contained in the audit.

Recommended Action: Committee Discussion, Direction, or Action.

Separate Cover: Updated Use Audit with “C/O” columns Pre-Transition (45%)
Updated Use Audit with “C/O” columns Post-Transition (55%)

Agenda Item

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Finance Committee Meeting

Meeting Date: March 17, 2026

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

Summary/Discussion

The draft FY 26-27 budget summary tables were included for review and discussion in an interactive workshop format at the March 3, 2026 Finance Committee meeting. The Finance Committee were satisfied with the presentation of the budget and had no further questions. However, staff did not receive a formal recommendation at that time. SOCWA will hold a Board budget workshop on April 7, 2026 and staff requests a formal recommendation to the Board.

Recommended Action: Staff recommends that the Finance Committee recommends approval of the FY 26-27 Budget

Agenda Item

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Budgeted: Yes

Meeting Date: March 17, 2026

TO: Finance Committee

FROM: Amber Boone, General Manager

SUBJECT: Chart of Accounts Update to Improve Administrative Efficiency

Summary

At the March 3, 2026 Finance Committee meeting, staff updated the committee members as to the progress on the consolidated line items for administrative efficiency and reduce potential errors in the financials. This work was first presented to the Committee on January 21, 2025. This agenda item provides the details related to this special project.

Discussion

The chart of accounts grew organically over several years, resulting in a complex structure that hindered rather than helps efficient financial management and reporting. The staff and an outside consulting firm's review revealed that a reduction in the number of accounts will lead to higher administrative efficiency and less chance of error or fraudulent activity

Staff comprehensively reviewed the Authority's chart of accounts structure, revealing significant opportunities for streamlining through account code compression. This analysis shows that through strategic consolidation, SOCWA could reduce the total active codes while maintaining all necessary financial controls and reporting capabilities. This compression will improve administrative efficiency, reduce processing time, and minimize data entry errors. The following provides the methodology used for this consolidated project which reduced the number of budget number line items by 33% for the project committees.

- Add 4 other smaller line Common (ownership) allocation line items to Contract Services Misc. Budget (\$375 to \$800k)
 - Landscaping
 - Janitorial Services
 - Uniforms
 - Contract Services Generators
- Combine 11 Common (ownership) line items into "Other Consumables and Supplies" (\$285k total)
 - Other Chemicals - Misc.
 - Small Vehicle Expense
 - Miscellaneous Expense
 - Office Supplies - All
 - Small Vehicle Fuel
 - SCADA Infrastructure
 - IT Direct

- Office Equipment
- Equipment rental
- Public notices
- Recruitment
- Consolidate Misc. Fringe Benefits (remove for O&M budgets)
 - Accrued Administrative Leave
 - Accrued Administrative Leave Payable
 - Accrued Personal Leave
 - Accrued Personal Leave Payable
 - AFLAC
 - Disability Insurance - Private
 - GASB 68 Pension Expense
 - GASB 75- Retiree Health (OPEB) Expense
 - Group Insurance Waiver
 - Group Medical Insurance
 - Health Insurance
 - Medicare Tax - Employer
 - Medicare Tax Payments for Employees
 - Medicare Taxes Payable-Employer
 - OPEB/Retiree Health ARC Change
 - PERS Contributions Payable-Employer
 - Retiree Health Benefits
 - Retirement - PERS
 - Supp Life ADD W/H Payable
 - Survivor Benefits Insurance Withheld
 - Unfunded Pension Liability
- Engineering Department charge codes to be changed from line items 5XXX to line items 6XXX to improve tracking and reporting for Engineering and O&M
- Review and update the Chart of Accounts

The proposed compression yields significant measurable benefits. By reducing the number of active codes, staff expects to see substantial improvements in processing time across all financial functions, including the annual audit. In addition, it is intended that data entry time will decrease, data entry errors will be reduced, and monthly reconciliations will become more efficient and timelier. SOCWA staff has been trained on the new coding structures.

Tables 1 & 2 provides the mapping key for the comparison of old vs. new G/L coding for all codes used at the Authority.

Table 1: Administration and IT Department Line Items Map

Change	New G/L Code	New Description	Old G/L Code(s)	Old Description(s)
New	01-5010-XX-00-00	Small Purchases and Consumables	01-60**-04-00-00 01-6102-04-00-00 01-6204-04-00-00 01-6223-04-00-00 01-6310-04-00-00 01-6601-04-00-00	Small Tools and Supplies, Subscriptions, Postage, Office Supplies - Admin, Miscellaneous, Shipping/Freight
No Change	01-5019-XX-00-00	Contract Services Misc.	01-6317-04-00-00	Contract Services Misc
No Change	01-5018-04-00-00	Public Notices/Public Relations	01-6018-04-00-00	Public Notices/Public Relations
New	01-5101-04-00-00	Employee Recognition	01-6101-04-00-00	HR Recruitment & Employee Relations
New	01-5103-XX-00-00	Contract Labor	01-6103-04-00-00	Contract Labor
New	01-5015-XX-00-00	Management Support Services	01-6200-04-00-00 01-6305-05-00-00	Management Support Services, IT Professional Services
New	01-5016-04-00-00	Audit	01-6201-04-00-00	Audit
New	01-5017-XX-00-00	Legal	01-6202-04-00-00	Legal
New	01-5037-XX-00-00	Office Equipment	01-6224-04-00-00	Office Equipment Admin or IT
New	01-5034-XX-00-00	Memberships & Trainings	01-6234-04-00-00 01-6239-04-00-00 01-6308-05-00-00 01-6311-04-00-00	Memberships & Trainings, Travel & Conference, IT Memberships, Mileage
New	01-5079-04-00-00	Scholarship Sponsorship	01-6240-04-00-00	Scholarship Sponsorship

New	01-5074-04-00-00	Education Reimbursement	01-6241-04-00-00	Education Reimbursement
New	01-5076-05-00-00	IT and SCADA Maintenance	01-6300-05-00-00 01-6301-05-00-00 01-6302-05-00-00 01-6306-05-00-00 01-6307-05-00-00	Software Maintenance Agreements, Hardware Maintenance Agreements, Cloud Subscriptions (Internet), Small Hardware Purchases (< \$5k), Small Software Purchases & Licenses (<\$5k)
New	01-5078-05-00-00	Telecommunications	01-6303-05-00-00	Telecommunications
New	01-5309-05-00-00	Operating Leases	01-6309-05-00-00	Operating Leases
New	01-5705-XX-00-00	Monthly Car Allowance	01-6705-04-00-00	Monthly Car Allowance
No Change	01-6500-04-00-00	IT Allocations into PC's & Depts.	01-6500-04-00-00	IT Allocations into PC's & Depts.

Key Note:

- New codes begin with 01-.
- XX = Department (Admin/Residual Engineering (non-O&M) = 04; IT = 05)

Table 2: Operations and Maintenance (O&M) Department Line Items Map

Change	New G/L Code	New Description	Old G/L Code(s)	Old Description(s)
No Change	XX-5002-01-00-00	Electricity	XX-5002-01-00-00	Electricity
No Change	XX-5003-01-00-00	Natural Gas	XX-5003-01-00-00	Natural Gas
No Change	XX-5004-01-00-00	Potable & Reclaimed Water	XX-5004-01-00-00	Potable & Reclaimed Water
No Change	XX-5006-01-00-00	Chlorine/Sodium Hypochlorite	XX-5006-01-00-00	Chlorine/Sodium Hypochlorite
No Change	XX-5007-01-00-00	Polymer Products	XX-5007-01-00-00	Polymer Products
No Change	XX-5008-01-00-00	Ferric Chloride	XX-5008-01-00-00	Ferric Chloride
No Change	XX-5009-01-00-00	Odor Control Chemicals	XX-5009-01-00-00	Odor Control Chemicals

			XX-5010-01-00-00 XX-5021-01-00-00 XX-5022-01-00-00 XX-5023-01-00-00 XX-5024-01-00-00 XX-5026-01-00-00 XX-5028-01-00-00 XX-5031-02-00-00 XX-5032-01-00-00 XX-5802-YY-00-00	Other Chemicals - Misc., Small Vehicle Expense, Miscellaneous Expense, Office Supplies - All, Petroleum Products, Small Vehicle Fuel, Small Tools & Supplies, Safety Program & Supplies, Equipment Rental, Shipping/Freight
New	XX-5010-YY-00-00	Small Purchases and Consumables		
No Change	XX-5011-02-00-00	Laboratory Services	XX-5011-02-00-00	Laboratory Services
No Change	XX-5012-01-00-00	Grit Hauling	XX-5012-01-00-00	Grit Hauling
Dept specific	XX-5015-YY-00-00	Management Support Services	XX-5015-YY-00-00	Management Support Services
No Change	XX-5016-02-00-00	Audit	XX-5016-02-00-00	Audit - Environmental
Dept specific	XX-5017-YY-00-00	Legal Fees	XX-5017-01-00-00	Legal Fees
			XX-5013-01-00-00 XX-5018-YY-00-00 XX-5025-01-00-00 XX-5050-01-00-00 XX-5052-01-00-00	Landscaping, Public Notices/Public Relations, Uniforms, Contract Services Generators, Janitorial Services
New	XX-5019-YY-00-00	Contract Services Misc.		
Dept specific	XX-5027-YY-00-00	Insurance - Property/Liability	XX-5027-YY-00-00	Insurance - Property/Liability
No Change	XX-5030-01-00-00	Trash Disposal	XX-5030-01-00-00	Trash Disposal
New	XX-5033-YY-00-00	Recruitment	XX-5033-01-00-00	Recruitment

New	XX-5034-YY-00-00	Memberships, Conferences, Training and Travel	XX-5034-YY-00-00 XX-5035-YY-00-00 XX-5039-YY-00-00 XX-5061-YY-00-00	Travel Expense/Tech. Conferences, Training Expense, Membership Dues/Fees, Mileage
No Change	XX-5036-02-00-00	Laboratory Supplies	XX-5036-02-00-00	Laboratory Supplies
Dept specific	XX-5037-YY-00-00	Office Equipment	XX-5037-01-00-00	Office Equipment
No Change	XX-5038-02-00-00	Permits	XX-5038-02-00-00	Permits
No Change	XX-5044-02-00-00	Offshore Monitoring	XX-5044-02-00-00	Offshore Monitoring
No Change	XX-5045-02-00-00	Offshore Biochemistry	XX-5045-02-00-00	Offshore Biochemistry
No Change	XX-5046-02-00-00	Effluent Chemistry	XX-5046-02-00-00	Effluent Chemistry
No Change	15-5047-01-00-00	Access Road Damage	15-5047-01-00-00	Access Road Damage
No Change	15-5048-01-00-00	Storm Damage	15-5048-01-00-00	Storm Damage
No Change	02-5049-01-00-00	Biosolids Disposal	02-5049-01-00-00	Biosolids Disposal
New	XX-5054-01-00-00	Diesel Truck Expenses	XX-5054-01-00-00 XX-5055-01-00-00	Diesel Truck Maint, Diesel Truck Fuel
No Change	02-5056-01-00-00	Maintenance Equip. & Facilities (Solids)	02-5056-01-00-00	Maintenance Equip. & Facilities (Solids)
No Change	XX-5057-01-00-00	Maintenance Equip. & Facilities (Liquids)	XX-5057-01-00-00	Maintenance Equip. & Facilities (Liquids)
Dept specific	XX-5058-YY-00-00	Maintenance Equip. & Facilities (Common)	XX-5058-YY-00-00	Maintenance Equip. & Facilities (Common)
No Change	02-5059-01-00-00	Maintenance Equip. & Facilities (Co-Gen)	02-5059-01-00-00	Maintenance Equip. & Facilities (Co-Gen)
No Change	15-5060-01-00-00	Maintenance Equip. & Facilities (AWT)	15-5060-01-00-00	Maintenance Equip. & Facilities (AWT)
No Change	17-5068-02-00-00	MNWD Potable Water Supplies & Svcs.	17-5068-02-00-00	MNWD Potable Water Supplies & Svcs.

			XX-5076-01-00-00 XX-5077-01-00-00	SCADA Infrastructure, IT Direct
New	XX-5076-01-00-00	IT and SCADA Maintenance		
Dept specific	XX-5309-YY-00-00	Operating Leases	XX-5309-01-00-00	Operating Leases
Dept specific	XX-5705-YY-00-00	Monthly Car Allowance	XX-5705-YY-00-00	Monthly Car Allowance
New	02-5799-01-00-00	Stormwater Station Costs Share - O&M	02-5799-01-00-00	Zephyr Wall Costs Share - O&M
No Change	XX-5777-02-00-00	Laboratory Lease	XX-5777-02-00-00	Laboratory Lease

Key Notes:

- **XX** = Plant/PC code (JBL=02, SJCOO=05, PT=08, Recycled Permits=12, CTP=15, ETM=21, NCI=23, ACOO=24, Lab=17)
- **YY** = Department (O&M=01, Lab=02)
- “Dept specific” items retain plant/department variations.

Recommended Action: Committee Discussion, Direction, or Action.

Agenda Item

7

Finance Committee Meeting

Meeting Date: March 17, 2026

TO: Finance Committee
FROM: Amber Boone, General Manager
SUBJECT: Contract Services

Summary/Discussion

The MOU Transfer Price Agreement requested that SOCWA:

6. b. Identify and evaluate potential new services and opportunities for SOCWA to generate revenue.

The Crystal Canyon Water Reclamation Plant (i.e. Goren Facility) is a facility regulated under the Master Recycled Water Permit 97-52. The facility has an anticipated start-up at the end of the month. SOCWA is working with the developer to provide operations and laboratory services on a time and materials basis. The revenue associated with this work will be used to offset expenses in PC12 similar to other outside contracting services. Anticipated revenue is \$25-\$40k per year. Legal will review the proposed contract provided by the Developer.

Recommended Action: Committee Discussion, Direction, or Action

Attachment: MOU Transfer Price Agreement

MEMORANDUM OF UNDERSTANDING

Allocation of MNWD's Transfer Price Payment for the Regional Treatment Plant and Withdrawal from SOCWA and Evaluation of Reducing SOCWA Overhead Expenses

This Memorandum of Understanding (“MOU”) regarding the allocation of Moulton Niguel Water District’s (“MNWD”) Transfer Price payment,¹ to be made to the remaining member agencies of the South Orange County Wastewater Authority (SOCWA) upon MNWD’s withdrawal from SOCWA, is entered into on December 9, 2024, by and between South Coast Water District, a county water district organized and operating under authority of Division 12 of the California Water Code (“SCWD”), Emerald Bay Service District, a California community services district (“EBSD”), City of Laguna Beach, a California municipality (“CLB”), City of San Clemente, a California municipal corporation (“CSC”), Santa Margarita Water District, a California water district formed and existing pursuant to Section 34000 et seq. of the California Water Code (“SMWD”) and El Toro Water District, a California water district formed and existing pursuant to Section 34000 et seq. of the California Water Code (“ETWD”) (individually, each a “Remaining Member Agency”, and collectively, the “Remaining Member Agencies”), and by SOCWA, a joint powers agency (each Remaining Member Agency and SOCWA referred to individually as a “Party” and together with MNWD, jointly as the “Parties”).

RECITALS

WHEREAS, The Remaining Member Agencies and MNWD are all parties to the Joint Exercise of Powers Agreement Creating South Orange County Wastewater Authority, dated July 1, 2001. SOCWA is a joint powers authority made up of several water purveyors and/or wastewater service providers within the San Juan Creek and/or Aliso Creek watershed. The Remaining Member Agencies, SOCWA and MNWD own and operate, or have capacity rights in, among other things, wastewater treatment facilities, transmission mains, and outfalls; and

WHEREAS, the Parties intend to be parties to, among other agreements, an Asset and Capacity Transfer Agreement (Agreement No. 1) and a MNWD-SOCWA Withdrawal Agreement (Agreement No. 4) wherein MNWD will receive the Regional Treatment Plant (RTP) and withdraw from SOCWA, along with other documents collectively referred to as the 2024 SOCWA Reorganization Agreements; and

WHEREAS, in connection with the Remaining Member Agencies and SOCWA transferring RTP real property and the RTP assets and capacity rights to MNWD, and the Remaining Member Agencies assuming certain increased administrative costs related to MNWD’s withdrawal from SOCWA and the operation of SOCWA Project Committee 2 (PC 2), Project Committee 5 (PC 5), Project Committee 8 (PC 8), Project Committee 12 (PC 12), Project

¹ The term “Transfer Price” shall have the same meaning as stated in section 4.1 of that certain agreement between MNWD and Remaining Member Agencies entitled “Asset and Capacity Transfer Agreement (Agreement No. 1)”, and dated December 9, 2024, executed concurrently or following this MOU.

Committee 15 (PC 15), Project Committee 21 (PC 21), and Project Committee 24 (PC 24), MNWD will provide certain monetary consideration in the amount of \$21,500,000 (the “Transfer Price”) to SOCWA and the Remaining Member Agencies; and

WHEREAS, a portion of the Transfer Price to be paid by MNWD is for purposes of stranded overhead costs and is based on a formula that assumes the stranded overhead associated with the RTP will be reduced 20% per year over 5 years; and

WHEREAS, with the prior withdrawal of Trabuco Canyon Water District and Irvine Ranch Water District, and the anticipated withdrawal of MNWD from SOCWA, and the removal of Project Committee 17 (PC 17) and the RTP from SOCWA, the Remaining Member Agencies acknowledge an interest in reducing SOCWA overhead costs; and

WHEREAS, the Remaining Member Agencies now desire to allocate the Transfer Price in accordance with the terms of this MOU and agree to evaluate a proposal to substantially reduce SOCWA’s overhead expenses to submit for future consideration by the SOCWA Board of Directors.

NOW, THEREFORE, in consideration of the mutual promises and covenants herein contained, the Remaining Member Agencies agree as follows:

1. The Parties agree that the above recitals are true and correct and are hereby incorporated in this MOU.
2. The Parties agree that this MOU shall only take effect upon the execution of all of the 2024 SOCWA Reorganization Agreements. Capitalized terms not defined herein shall have the meaning set forth in the Asset and Capacity Transfer Agreement (Agreement No. 1).
3. Allocation of Transfer Price. The Remaining Member Agencies agree the Transfer Price shall be allocated by SOCWA to the Remaining Member Agencies as described herein. The Transfer Price is anticipated to be paid by MNWD to SOCWA in three installments. As agreed to in the Asset and Capacity Transfer Agreement (Agreement 1), the Transfer Price shall be paid by MNWD to SOCWA for the benefit of the Remaining Member Agencies, which does not include MNWD, over a two year period in three equal installments via wire transfer on the following dates and in the amounts as follows: (1) \$7,166,666.00 dollars immediately after the Closing Date; (2) \$7,166,167.00 dollars on the first and second, anniversaries of the Closing Date (or the nearest business date after the Closing Date if it falls on a weekend or holiday in each successive year). SOCWA shall distribute the portion of the Transfer Price allocated to Administration Cost and PC 17 to the Remaining Member Agencies as defined in Table 1 and Table 2 below within 30 days of receipt of payments from MNWD. SOCWA shall hold and separately account for the portion of the Transfer Price allocated to PC 15, as defined in Table 3 below, and apply said funds to future PC 15 capital projects.

Table 1
Administration Cost (Paid to the Remaining Member Agencies)

Member Agency	Allocated Amount	Installment Payment No. 1	Installment Payment No. 2	Installment Payment No. 3
SCWD	\$1,006,953	\$335,651	\$335,651	\$335,651
EBSD	\$66,032	\$22,011	\$22,011	\$22,010
CLB	\$395,879	\$131,960	\$131,960	\$131,959
CSC	\$92,008	\$30,669	\$30,669	\$30,670
SMWD	\$1,325,172	\$441,724	\$441,724	\$441,724
ETWD	\$76,610	\$25,536	\$25,537	\$25,537
IRWD*	\$37,346	\$12,449	\$12,448	\$12,449
TOTAL	\$3,000,000	\$1,000,000	\$1,000,000	\$1,000,000

* IRWD allocation to be paid to ETWD.

Table 2
PC 17 (Paid to the Remaining Member Agencies)

Member Agency	Allocated Amount	Installment Payment No. 1	Installment Payment No. 2	Installment Payment No. 3
SCWD	\$1,306,122	\$435,374	\$435,374	\$435,374
EBSD	\$86,006	\$28,669	\$28,668	\$28,669
CLB	\$1,634,111	\$544,703	\$544,704	\$544,704
ETWD	\$2,973,761	\$991,254	\$991,254	\$991,253
TOTAL	\$6,000,000	\$2,000,000	\$2,000,000	\$2,000,000

Table 3
PC 15 (Held by SOCWA and Applied to Future Capital Projects with the Approval of the PC 15 Remaining Member Agencies)

Member Agency	Allocated Amount	Installment Payment No. 1	Installment Payment No. 2	Installment Payment No. 3
SCWD	\$5,335,000	\$1,778,333.33	\$1,778,333.33	\$1,778,333.34
EBSD	\$373,750	\$124,583.33	\$124,583.33	\$124,583.34
CLB	\$6,791,250	\$2,263,750.00	\$2,263,750.00	\$2,263,750.00
TOTAL	\$12,500,000	\$4,166,666	\$4,166,667	\$4,166,667

4. SOCWA Payment Management for the \$12,500,000 Towards Future Costs at the Coastal Treatment Plant. The “PC 15 Remaining Member Agencies” (South Coast Water District, Emerald Bay Service District, City of Laguna Beach) agree that the allocated payments

described in Table 3 shall be reserved and maintained at SOCWA for future use at the Coastal Treatment Plant upon the affirmative majority vote of PC 15. These funds will be specifically designated and used by SOCWA for capital improvements and maintenance at the Coastal Treatment Plant, as identified and agreed upon by the PC 15 Remaining Member Agencies. The PC 15 Remaining Member Agencies shall request that SOCWA maintain a separate accounting of these reserved funds, which will be subject to drawdown by the PC 15 Remaining Member Agencies to cover expenses in accordance with the purposes stated in this paragraph.

5. Evaluation of Reducing SOCWA Overhead Costs. The Remaining Member Agencies acknowledge that, given the withdrawal of MNWD and the removal of the RTP from SOCWA, the current overhead costs for the operation of SOCWA may be unsustainable for the long term. The Remaining Member Agencies affirm their commitment to evaluating cost reductions as follows:
 - a. The Remaining Member Agencies shall evaluate a target overhead reduction in annual SOCWA overhead expenses of Five Hundred Thousand Dollars (\$500,000.00) or more.
 - b. The General Managers and/or their designees from each Remaining Member Agency shall form a working group to evaluate recommendations from SOCWA staff for the reduction of overhead expenses.
 - c. The SOCWA General Manager shall be directed to evaluate options to achieve the target reduction in overhead expenses and present the results to the General Manager working group for review and comment.
 - d. Options for the reduction of overhead expenses, along with recommendations for implementation of recommended options, shall be presented to the SOCWA Board of Directors for consideration and possible action.

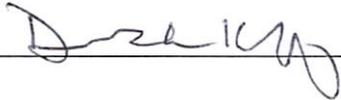
6. Development of a Forward-Thinking Services Model. The General Managers' working group shall collaborate with SOCWA staff to develop a forward-thinking services model for SOCWA. This model will be consistent with the cost-cutting measures outlined above and will strive to:
 - a. Enhance operational efficiencies and reduce costs for all Remaining Member Agencies.
 - b. Identify and evaluate potential new services and opportunities for SOCWA to generate revenue.
 - c. Establish benchmarks and key performance indicators (KPIs) for evaluating the effectiveness of SOCWA's services.
 - d. Propose a phased implementation plan for the adoption of the new services model, including timelines, resource requirements, and anticipated outcomes.

7. Cooperation in Good Faith. The Remaining Member Agencies agree to proceed in good faith to cooperate with one another to accomplish the objectives set forth in this MOU.

IN WITNESS WHEREOF, the Parties have entered into this MOU as of the date first written above.

City of Laguna Beach

Dated: 12/9/24

By: 

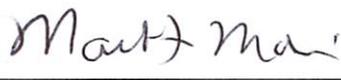
City of San Clemente

Dated: 12-9-24

By: 

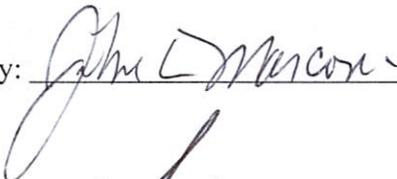
El Toro Water District

Dated: 12-9-24

By: 

Emerald Bay Service District

Dated: 12-9-2024

By: 

Santa Margarita Water District

Dated: 12/9/24

By: 

South Coast Water District

Dated: 12/9/24

By: 

South Orange County Wastewater Authority

Dated: 12/9/24

By: 