

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

March 7, 2018

3:00 p.m.

NOTICE IS HEREBY GIVEN that a Special Meeting of the South Orange County Wastewater Authority (SOCWA) Finance Committee has been called by the Chairman to be held on **March 7, 2018 at 3:00 p.m.** 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 (I.E., ACCESS TO AN AMPLIFIED SOUND SYSTEM, ETC.) PLEASE CONTACT THE SOUTH ORANGE COUNTY WASTEWATER AUTHORITY SECRETARY'S OFFICE AT (949) 234-5421 AT LEAST TWENTY-FOUR (24) HOURS PRIOR TO THE SCHEDULED MEETING. THIS AGENDA CAN BE OBTAINED IN ALTERNATE FORMAT UPON WRITTEN REQUEST TO THE SOUTH ORANGE COUNTY WASTEWATER AUTHORITY'S SECRETARY AT LEAST TWENTY-FOUR (24) HOURS PRIOR TO THE SCHEDULED MEETING.

AGENDA EXHIBITS 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 TO DISCUSSION OR CONSIDERATION AT AN OPEN MEETING OF THE FINANCE COMMITTEE ARE AVAILABLE FOR PUBLIC INSPECTION IN THE AUTHORITY OFFICE, 34156 DEL OBISPO STREET, DANA POINT, CA ("AUTHORITY OFFICE"). IF SUCH WRITINGS ARE DISTRIBUTED TO MEMBERS OF THE FINANCE COMMITTEE LESS THAN TWENTY-FOUR (24) 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 MEMBERS, EXCEPT THAT, IF SUCH WRITINGS ARE DISTRIBUTED IMMEDIATELY PRIOR TO, OR DURING, THE MEETING, THEY WILL BE AVAILABLE IN THE FINANCE COMMITTEE MEETING ROOM.

AGENDA

- 1. Call Meeting to Order**
- 2. Pledge of Allegiance**
- 3. Public Comments**

THOSE WISHING TO ADDRESS THE FINANCE COMMITTEE ON ANY ITEM LISTED ON THE AGENDA SHOULD SUBMIT A "REQUEST TO BE HEARD" FORM TO THE CLERK OF THE BOARD BEFORE THE PRESIDING OFFICER ANNOUNCES THAT AGENDA ITEM. YOUR NAME WILL BE CALLED TO SPEAK AT THAT TIME.

NOTICE OF SPECIAL MEETING – FINANCE COMMITTEE

March 7, 2018

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4. Approval of Minutes

- a. Finance Committee Meeting Minutes of April 11, 2017
- b. Finance Committee Meeting Minutes of May 22, 2017
- c. Finance Committee Meeting Minutes of December 6, 2017
- d. Finance Committee Meeting Minutes of December 11, 2017
- e. Finance Committee Meeting Minutes of December 21, 2017

Recommendation:

Finance Committee approval of minutes as submitted.

5. FY 18-19 Labor & Fringe Forecast

- a. O&M 5 Year Labor Plan
- b. FY 18-19 thru FY 22-23 O&M Budget Fringe Benefits Pool Forecast

Recommendation:

Information Item

6. FY 18-19 Proposed Small Internal Capital

- a. PowerPoint Presentation

Recommendation:

Information Item

7. FY 18-19 and FY 19-20 Proposed Capital Program

- a. FY 18-19 Residual Engineering Expenses

Recommendation:

Information Item

8. FY 18-19 Information Technology (“IT”) Budget

- a. FY18-19 IT Expenses

Recommendation:

Information Item

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.

NOTICE OF SPECIAL MEETING – FINANCE COMMITTEE

March 7, 2018

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

Dated this 2nd day of March 2018.



Betty C. Burnett, General Manager/Secretary
SOUTH ORANGE COUNTY WASTEWATER AUTHORITY

**MINUTES OF SPECIAL MEETING
OF THE
SOUTH ORANGE COUNTY WASTEWATER AUTHORITY
Finance Committee
April 11, 2017**

The Special Meeting of the South Orange County Wastewater Authority (SOCWA) Finance Committee Meeting was held on April 11, 2017 at 9:30 a.m. at their Administrative Offices located at 34156 Del Obispo Street, Dana Point, California. The following members of the Finance Committee were present:

DENNIS ERDMAN	South Coast Water District
RAY MILLER	City of San Juan Capistrano
MATT COLLINGS	Moulton Niguel Water District
TONI ISEMAN	City of Laguna Beach
FRED ADJARIAN	El Toro Water District
DAN FERONS	Santa Margarita Water District [exit 10:40 a.m.]

Staff Present:

BETTY BURNETT	General Manager/Secretary
MARY CAREY	Finance Controller
KEVIN ZABAT	Senior Accountant
TERI NOSON	Executive Assistant/Clerk of the Board
BRIAN PECK	Director of Engineering
JIM BURROR	Director of Operations

Also Present:

NEELY SHAHBAKHTI	El Toro Water District
CAROLYN RATHBONE	South Coast Water District

Chairman Erdman called the meeting to order at 9:32 a.m. and welcomed everyone present.

Public Comments

There were no public comments.

Approval of Minutes

ACTION TAKEN

Motion was made by Director Adjarian and seconded by Director Ferons to approve the February 28, 2017 Finance Committee meeting minutes.

Motion carried:	Aye 6; Nay 0; Abstain 0; Absent 0
	Director Collings Aye
	Director Erdman Aye
	Director Miller Aye
	Director Ferons Aye
	Director Iseman Aye
	Director Adjarian Aye

New Employee Announcement

Ms. Carey introduced Mr. Kevin Zabot, CPA, as the Senior Accountant in the Finance Department. Mr. Zabot filled the position vacated by Mr. Mason Motoyoshi in December 2016.

Approval of Financial Matters

ACTION TAKEN

Motion was made by Director Miller and seconded by Director Erdman to approve the Summary of Disbursements in the amount of \$1,206,122 for the period of February 1, 2017 through February 28, 2017, and to receive and file the February 28, 2017, Financial Reports.

Motion carried:	Aye 6; Nay 0; Abstain 0; Absent 0
Director Collings	Aye
Director Erdman	Aye
Director Miller	Aye
Director Ferons	Aye
Director Iseman	Aye
Director Adjarian	Aye

FY 2017-18 Budget Status

Ms. Burnett and Ms. Carey provided a status report on the FY 2017-18 Budget and reviewed the draft Budget book and supporting schedules with the Finance Committee. An open discussion ensued.

ACTION TAKEN

Discussion item. No action taken.

Cash on Hand Verification

Ms. Burnett provided an overview of the Cash on Hand Verification report as submitted. An open discussion ensued.

ACTION TAKEN

Discussion item. No action taken.

Adjournment

There being no further business, Chairman Erdman adjourned the meeting at 10:48 a.m.

I HEREBY CERTIFY that the foregoing Minutes are a true and accurate copy of the Minutes of Special Meeting of the South Orange County Wastewater Authority Finance Committee of April 11, 2017, and approved by the Finance Committee and received and filed by the Board of Directors of the South Orange County Wastewater Authority.

Betty Burnett, General Manager/Secretary
SOUTH ORANGE COUNTY WASTEWATER AUTHORITY

**MINUTES OF SPECIAL MEETING
OF THE
SOUTH ORANGE COUNTY WASTEWATER AUTHORITY
Finance Committee
May 22, 2017**

The Special Meeting of the South Orange County Wastewater Authority (SOCWA) Finance Committee was held on May 22, 2017 at 10:30 a.m. at their Administrative Offices located at 34156 Del Obispo Street, Dana Point, California. The following members of the Finance Committee were present:

DENNIS ERDMAN	South Coast Water District
JACK HUNT	City of San Juan Capistrano
MATT COLLINGS	Moulton Niguel Water District
TONI ISEMAN	City of Laguna Beach
FRED ADJARIAN	El Toro Water District
DAN FERONS	Santa Margarita Water District

Staff Present:

BETTY BURNETT	General Manager/Secretary
MARY CAREY	Finance Controller
KEVIN ZABAT	Senior Accountant
TERI NOSON	Executive Assistant/Clerk of the Board
JIM BURROR	Director of Operations

Also Present:

ERIC WOOLERY	Orange County Auditor Controller
DENNIS CAFFERTY	El Toro Water District
RICK ERKENEFF	South Coast Water District
NEELY SHAHBAKHTI	El Toro Water District
CAROLYN RATHBONE	South Coast Water District

Chairman Erdman called the meeting to order at 10:32 a.m. and welcomed everyone present.

Public Comments

There were no public comments.

Approval of Financial Matters

Summary of Disbursements & Financial Reports (March 2017)

ACTION TAKEN

Motion was made by Director Adjarian and seconded by Director Ferons to ratify the Summary of Disbursements in the amount of \$3,435,311 for the period of March 1, 2017, through March 31, 2017, and to receive and file the March 31, 2017, Financial Reports.

Director Collings noted for the record that MNWD requests for information from the May 4, 2017 Board of Directors meeting are awaiting response, including: application of fringe benefits, budget underage & overage, SOCWA 'bonuses', administration allocation for PC21 and request for information about SOCWA legal services. Staff indicated information will be forthcoming.

Motion carried:	Aye 6; Nay 0; Abstain 0; Absent 0
	Director Collings Aye
	Director Erdman Aye
	Director Hunt Aye
	Director Ferons Aye
	Director Iseman Aye
	Director Adjarian Aye

Summary of Disbursements & Financial Reports (April 2017)

An open discussion ensued regarding items 3.a. Exhibits D and E.

ACTION TAKEN

Motion was made by Director Adjarian and seconded by Director Iseman to approve the Summary of Disbursements in the amount of \$1,676,414 for the period April 1, 2017 through April 30, 2017, and to receive and file the April 30, 2017, Financial Reports.

Motion carried:	Aye 6; Nay 0; Abstain 0; Absent 0
	Director Collings Aye
	Director Erdman Aye
	Director Hunt Aye
	Director Ferons Aye
	Director Iseman Aye
	Director Adjarian Aye

Budget Q&A

ACTION TAKEN

There being no objection, Chairman Erdman directed that the Finance Committee Budget Q&A agenda item be submitted to the May 24, 2017, Board of Directors Budget Workshop for consideration.

Chairman Erdman adjourned the Finance Committee for a ten (10) minute recess at 12:05 p.m.

The Finance Committee meeting reconvened at 12:14 p.m.

Update on Cash Reconciliation

Ms. Carey reviewed a PowerPoint presentation *Cash Reconciliation by Project Committee, Member Agency, Capital and O&M as of June 30, 2016*.

Ms. Carey introduced Mr. Michael Zizzi from Leaf-Coal accounting firm. Mr. Zizzi provided an overview of the verification/audit process and findings of a test performed for SOCWA's Large Capital cash on hand. Open discussion ensued.

ACTION TAKEN

There being no objection the Chairman directed that the Update on Cash Reconciliation be submitted for discussion at the next scheduled Finance Committee meeting.

Draft Policy Addressing the Application of the SOCWA Joint Powers Agreement for Distribution of the Costs to Member Agencies

ACTION TAKEN

There being no objection the Chairman directed that Agenda Item 6. Draft Policy Addressing the Application of the SOCWA Joint Powers Agreement for Distribution of the Costs to Member Agencies, be carried over to the next Finance Committee.

Audit Update

ACTION TAKEN

The Finance Committee scheduled a Finance Committee meeting for June 6, 2017, at 9:00 a.m. to consider approval of the Audit.

Adjournment

There being no further business, Chairman Erdman adjourned the meeting at 1:45 p.m.

I HEREBY CERTIFY that the foregoing Minutes are a true and accurate copy of the Minutes of Special Meeting of the South Orange County Wastewater Authority Finance Committee of May 22, 2017 and approved by the Finance Committee and received and filed by the Board of Directors of the South Orange County Wastewater Authority.

Betty Burnett, General Manager/Secretary
SOUTH ORANGE COUNTY WASTEWATER AUTHORITY

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

Finance Committee

December 6, 2017

The Special Meeting of the South Orange County Wastewater Authority (SOCWA) Finance Committee Meeting was held on December 6, 2017 at 8:30 a.m. at their Administrative Offices located at 34156 Del Obispo Street, Dana Point, California. The following members of the Finance Committee were present:

DENNIS ERDMAN	South Coast Water District
RAY MILLER	City of San Juan Capistrano
MATT COLLINGS	Moulton Niguel Water District
TONI ISEMAN	City of Laguna Beach
DAN FERONS	Santa Margarita Water District
FRED ADJARIAN	El Toro Water District

Staff Present:

BETTY BURNETT	General Manager
DANITA HIRSH	Executive Assistant
MARY CAREY	Finance Controller
JIM BURROR	Director of Operations
AMBER BAYLOR	Director of Environmental Compliance
NADYN KIM	Accountant

Also Present:

PAT GIANNONE	Giannone & Giannone
DAVID BARANOWSKI	Carollo
ANDY BRUNHART	South Coast Water District
PAM ARENDS-KING	South Coast Water District
STEPHEN DOPUDJA	Trabuco Canyon Water District
JAKE VOLLEGBREGT	Moulton Niguel Water District

1. Call Meeting to Order

Chairperson Erdman called the meeting to order at 8:33 a.m.

Pledge of Allegiance – Chairman Erdman

2. Public Comments - None

3. Approval of Minutes

- a. Finance Committee Meeting Minutes of 9/21/17
- b. Finance Committee Meeting Minutes of 10/31/17

ACTION TAKEN

Motion was made by Director Ferons and seconded by Director Miller to approve the Finance Committee meeting minutes of September 21, 2017 and October 31, 2017.

Motion carried:	Aye 6; Nay 0; Abstain 0; Absent 0
Director Collings	Aye
Director Erdman	Aye
Director Miller	Aye
Director Ferons	Aye
Director Iseman	Aye
Director Adjarian	Aye

4. Current FY General Budget of \$365,323 – Policy/Expense/Percentage Decisions

Mr. Dopudja of Trabuco Canyon Water District(TCWD) provided an updated presentation on TCWD's 2017/18 potential general budget concept. An open discussion ensued.

Mr. Dopudja would be providing the same presentation at SOCWA's Board of Directors meeting on December 7, 2017.

ACTION TAKEN – None; Information item.

5. FY 2015-16 Audited Financial Statements Supplemental Schedules

Ms. Burnett provided the committee with an update on the Investment Policy. An open discussion ensued.

ACTION TAKEN

Motion was made by Director Ferons and seconded by Director Adjarian that the Finance Committee recommend to the Board of Directors to accept the current version of the FY2015-16 Supplemental Schedules, provide direction to staff that before June 30, 2018 to acquire assistance needed to evaluate the allocation of the net pension liability to the Project Committees, and to consider revision as to how costs are allocated to the Supplemental Schedules.

Motion carried:	Aye 5; Nay 1; Abstain 0; Absent 0
Director Collings	Nay
Director Erdman	Aye
Director Miller	Aye
Director Ferons	Aye
Director Iseman	Aye
Director Adjarian	Aye

Director Collings voted no on the recommended action but noted for the recorded that he is in favor of the additional assistance needed to evaluate the allocations.

Chairman Erdman recessed the meeting at 9:55 a.m.

Chairman Erdman reconvened the meeting at 10:04 a.m.

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

Finance Committee

December 6, 2017

The Special Meeting of the South Orange County Wastewater Authority (SOCWA) Finance Committee Meeting was held on December 6, 2017 at 8:30 a.m. at their Administrative Offices located at 34156 Del Obispo Street, Dana Point, California. The following members of the Finance Committee were present:

DENNIS ERDMAN	South Coast Water District
RAY MILLER	City of San Juan Capistrano
MATT COLLINGS	Moulton Niguel Water District
TONI ISEMAN	City of Laguna Beach
DAN FERONS	Santa Margarita Water District
FRED ADJARIAN	El Toro Water District

Staff Present:

BETTY BURNETT	General Manager
DANITA HIRSH	Executive Assistant
MARY CAREY	Finance Controller
JIM BURROR	Director of Operations
AMBER BAYLOR	Director of Environmental Compliance
NADYN KIM	Accountant

Also Present:

PAT GIANNONE	Giannone & Giannone
DAVID BARANOWSKI	Carollo
ANDY BRUNHART	South Coast Water District
PAM ARENDS-KING	South Coast Water District
STEPHEN DOPUDJA	Trabuco Canyon Water District
JAKE VOLLEGBREGT	Moulton Niguel Water District

1. Call Meeting to Order

Chairperson Erdman called the meeting to order at 8:33 a.m.

Pledge of Allegiance – Chairman Erdman

2. Public Comments - None

3. Approval of Minutes

- a. Finance Committee Meeting Minutes of 9/21/17
- b. Finance Committee Meeting Minutes of 10/31/17

ACTION TAKEN

Motion was made by Director Ferons and seconded by Director Miller to approve the Finance Committee meeting minutes of September 21, 2017 and October 31, 2017.

Motion carried:	Aye 6; Nay 0; Abstain 0; Absent 0
Director Collings	Aye
Director Erdman	Aye
Director Miller	Aye
Director Ferons	Aye
Director Iseman	Aye
Director Adjarian	Aye

4. Current FY General Budget of \$365,323 – Policy/Expense/Percentage Decisions

Mr. Dopudja of Trabuco Canyon Water District(TCWD) provided an updated presentation on TCWD's 2017/18 potential general budget concept. An open discussion ensued.

Mr. Dopudja would be providing the same presentation at SOCWA's Board of Directors meeting on December 7, 2017.

ACTION TAKEN – None; Information item.

5. FY 2015-16 Audited Financial Statements Supplemental Schedules

Ms. Burnett provided the committee with an update on the Investment Policy. An open discussion ensued.

ACTION TAKEN

Motion was made by Director Ferons and seconded by Director Adjarian that the Finance Committee recommend to the Board of Directors to accept the current version of the FY2015-16 Supplemental Schedules, provide direction to staff that before June 30, 2018 to acquire assistance needed to evaluate the allocation of the net pension liability to the Project Committees, and to consider revision as to how costs are allocated to the Supplemental Schedules.

Motion carried:	Aye 5; Nay 1; Abstain 0; Absent 0
Director Collings	Nay
Director Erdman	Aye
Director Miller	Aye
Director Ferons	Aye
Director Iseman	Aye
Director Adjarian	Aye

Director Collings voted no on the recommended action but noted for the record that he is in favor of the additional assistance needed to evaluate the allocations.

Chairman Erdman recessed the meeting at 9:55 a.m.

Chairman Erdman reconvened the meeting at 10:04 a.m.

6. Infrastructure Valuation Services

Ms. Burnett provided a brief overview of the presentation that Carollo would be providing to the Finance Committee.

Mr. Baranowski representative of Carollo presented the Infrastructure Valuation Services Report. An open discussion ensued.

ACTION TAKEN – None.

7. Use Audit 2016-17 Recommendation for Approval – Provided Under Separate Cover

Ms. Carey, Finance Controller discussed the details of the Use Audit 2016-17 Report that was distributed to the Finance Committee as a hand out. An open discussion ensued.

ACTION TAKEN – None.

Ms. Burnett stated to the committee members that a couple of revisions would be made to the 2016-17 Use Audit and re-distributed later in the day. She also stated that the report would be brought back to the Finance Committee for review and approval prior to going to the December 14, 2017 Board Meeting.

8. General Manager Report on Open Items

Ms. Burnett had no items to report.

The Finance Committee Meeting members decided to meet again on December 11, 2017 at 12:00 p.m.

Adjournment

There being no further business, Chairman Erdman adjourned the meeting at 10:47 a.m.

I HEREBY CERTIFY that the foregoing Minutes are a true and accurate copy of the Minutes of Special Meeting of the South Orange County Wastewater Authority Finance Committee of December 6, 2017 and approved by the Finance Committee and received and filed by the Board of Directors of the South Orange County Wastewater Authority.

Betty Burnett, General Manager/Secretary
SOUTH ORANGE COUNTY WASTEWATER AUTHORITY

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

Finance Committee

December 11, 2017

The Special Meeting of the South Orange County Wastewater Authority (SOCWA) Finance Committee Meeting was held on December 11, 2017 at 12:00 p.m. at their Administrative Offices located at 34156 Del Obispo Street, Dana Point, California. The following members of the Finance Committee were present:

DENNIS ERDMAN	South Coast Water District
RAY MILLER	City of San Juan Capistrano
MATT COLLINGS	Moulton Niguel Water District
TONI ISEMAN	City of Laguna Beach
DAN FERONS	Santa Margarita Water District
FRED ADJARIAN	El Toro Water District

Staff Present:

BETTY BURNETT	General Manager
DANITA HIRSH	Executive Assistant
MARY CAREY	Finance Controller
JIM BURROR	Director of Operations
AMBER BAYLOR	Director of Environmental Compliance
BRIAN PECK	Director of Engineering

Also Present:

PAT GIANNONE	Giannone & Giannone
PIERCE ROSSUM	Carollo Engineers
TREVOR AGRELIUS	Moulton Niguel Water District
DENNIS CAFFERTY	El Toro Water District
STEPHEN DOPUDJA	Trabuco Canyon Water District

1. Call Meeting to Order

Chairperson Erdman called the meeting to order at 12:00 p.m. He also noted that the meeting was posted as a Special Meeting of SOCWA for the purpose of allowing a quorum or more of the Board Members to attend; however all meeting business will be conducted by members of the Finance Committee.

2. Pledge of Allegiance – Director Miller

3. Public Comments – None.

4. Infrastructure Valuation Services

Ms. Burnett briefed the committee members on the materials distributed and stated that Pierce Rossum from Carollo Engineers was present to answer any questions. Open discussion ensued.

Director Collings stated that MNWD did not have an opportunity to review the report.

Mr. Peck, Director of Engineering provided some insight to the committee members on the process that went into compiling the list of assets.

ACTION TAKEN – None.

The Finance Committee Members would continue to review the information and report any comments to the Board of Directors at the Board Meeting on December 14.

Chairman Erdman recessed the meeting for lunch at 12:35 p.m.
Chairman Erdman reconvened the meeting at 12:55 p.m.

5. Use Audit 2016-17 Recommendation for Approval

Ms. Burnett stated that Ms. Carey, Finance Controller would provide a high-level review of the report. She also pointed out there were a couple of minor revisions made since the report was last seen at the December 6 meeting.

Ms. Carey, discussed specific details of the report. An open discussion ensued.

Director Iseman exited the meeting at 1:37 p.m.

The Finance Committee Members will provide a verbal report to the Board of Directors at the December 14 Board Meeting.

ACTION TAKEN – None

There was an open discussion on the Finance Committee meeting schedule for the remainder of the 2017 calendar year.

The Finance Committee Meeting members decided to meet again on December 28, 2017 at 8:30 a.m.

Agenda Items 6 covering the Financial Statements Audit for FY 2016-17 would be carried to the December 28, 2017 Board of Directors meeting.

Adjournment

There being no further business, Chairman Erdman adjourned the meeting at 2:00 p.m.

I HEREBY CERTIFY that the foregoing Minutes are a true and accurate copy of the Minutes of Special Meeting of the South Orange County Wastewater Authority Finance Committee of December 11, 2017 and approved by the Finance Committee and received and filed by the Board of Directors of the South Orange County Wastewater Authority.

Betty Burnett, General Manager/Secretary
SOUTH ORANGE COUNTY WASTEWATER AUTHORITY

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

Finance Committee

December 21, 2017

The Special Meeting of the South Orange County Wastewater Authority (SOCWA) Finance Committee Meeting was held on December 21, 2017 at 8:30 a.m. at their Administrative Offices located at 34156 Del Obispo Street, Dana Point, California. The following members of the Finance Committee were present:

DENNIS ERDMAN	South Coast Water District
RAY MILLER	City of San Juan Capistrano
MATT COLLINGS	Moulton Niguel Water District
TONI ISEMAN	City of Laguna Beach
DON BUNTS (Alternate Director)	Santa Margarita Water District
FRED ADJARIAN	El Toro Water District

Staff Present:

BETTY BURNETT	General Manager
JEANETTE COTINOLA	Contracts Administrator
MARY CAREY	Finance Controller
JIM BURROR	Director of Operations
BRIAN PECK	Director of Engineering

Also Present:

PAT GIANNONE	Giannone & Giannone
DAVID BARONOWSKI	Carollo
KEN PUN	The Pun Group
DAVE REBENDORF	City of San Clemente
STEVE GREYSHOCK	Greycomm, LLC
JAKE VOLLEBREGT	Moulton Niguel Water District
TREVOR AGRELIUS	Moulton Niguel Water District
NEELY SHAHBAKHTI	El Toro Water District
MATT PEREA	South Coast Water District

1. Call Meeting to Order

Chairperson Erdman called the meeting to order at 8:33 a.m. He also noted that the meeting was posted as a Special Meeting of SOCWA for the purpose of allowing a quorum or more of the Board Members to attend; however all meeting business will be conducted by members of the Finance Committee.

Pledge of Allegiance – Fred Adjarian

2. Public Comments – None.

3. Infrastructure Valuation Services

Ms. Burnett thanked the Committee Members for making time in their busy schedules to attend the meeting and briefed the members on the previous structure of the assets and the current

structure being presented by Carollo. Ms. Burnett also introduced Ken Pun of the Pun Group as SOCWA's Independent Auditor for FY 2016-17.

Mr. Baronowski representative of Corolla went through a PowerPoint presentation of the proposed Infrastructure Valuation Report. An open discussion ensued.

ACTION TAKEN – None.

There was concurrence amongst the Committee Members to carry item over to the next joint Board / Finance Committee meeting scheduled for December 28, 2017.

Chairman Erdman recessed the meeting at 9:45 a.m.
Chairman Erdman reconvened the meeting at 10:00 a.m.

4. Financial Statements and Independent Auditors Report FY Ending 6-30-17.

Ms. Burnett again introduced Ken Pun of The Pun Group as SOCWA's Independent Auditor.

Mr. Pun presented to the Committee Members the Financial Statement Report for FY Ending 6-30-17. An open discussion ensued.

ACTION TAKEN – None.

There was concurrence amongst the Committee Members to carry item over to the next joint Board / Finance Committee meeting scheduled for December 28, 2017.

5. General Managers Report on Open Item

Ms. Burnett briefed the Committee on a request that was made to make minor clarification revisions to the March 2015 Uniform Purchasing Policy Procedure. Open discussion ensued.

ACTION TAKEN – None.

6. Adjournment

There being no further business, Chairman Erdman adjourned the meeting at 10:41 a.m.

I HEREBY CERTIFY that the foregoing Minutes are a true and accurate copy of the Minutes of Special Meeting of the South Orange County Wastewater Authority Finance Committee of December 21, 2017 and approved by the Finance Committee and received and filed by the Board of Directors of the South Orange County Wastewater Authority.

Betty Burnett, General Manager/Secretary
SOUTH ORANGE COUNTY WASTEWATER AUTHORITY

Agenda Item

Agenda Item No.:

Legal Counsel Review: No

Meeting Date: March 7, 2018

Project Committee: PC-2, 15, 17,
24, and 5

TO: Finance Committee
FROM: Mary Carey, Finance Controller
SUBJECT: FY18-19 Labor & Fringe Forecast

Summary

Attached are updated Labor and Fringe Pool Forecast based on presentations at the January 19, 2018 and February 13, 2018 Finance Committee meetings.

Recommendation

Information Item

South Orange County Wastewater Authority **Total O&M 5-Year Labor Plan**

Headcount								
Department	FY 2015-16 Actual	FY 2016-17 Budget	FY 2017-18 Budget	FY 2018-19 Budget	FY 2019-20 Budget	FY 2020-21 Budget	FY 2021-22 Budget	FY 2022-23 Budget
Operations	39	40	41	42	40	40	40	40
Engineering	3	3	3	3	3	3	3	3
Environmental Compliance & Safety	10	10	10	9	9	9	9	9
IT	1	1	1	1	1	1	1	1
Administration	7	7	9	9	9	9	9	8
Total	60	61	64	64	62	62	62	61
Environmental FTE Position in FY 17/18 not hired and position funding applied to 1 Admin in FY 17/18; Admin support 2 positions in FY 18/19 plus 1 Ops Maintenance.								

South Orange County Wastewater Authority
FY 18/19 thru FY 22/23 Total O&M Budget Fringe Benefits Pool Forecast

	FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Budget	FY 2017-18 Forecast	FY 2018-19 Budget	FY 2019-20 Budget	FY 2020-21 Budget	FY 2021-22 Budget	FY 2022-23 Budget
457 Plan - Employer Contribution	13,821	83,925	85,000	85,000	85,000	85,000	85,000	85,000	85,000
Accrued Administrative Leave	34,879	30,478	21,622	22,000	24,847	26,288	27,813	29,426	31,133
Accrued Holiday	221,783	220,371	247,435	248,279	254,059	268,794	284,384	300,879	318,330
Accrued Personal Leave	74,238	76,638	84,288	85,000	89,793	95,001	100,511	106,340	112,508
Accrued Sick Pay	242,262	262,987	278,890	278,890	296,157	313,335	331,508	350,735	371,078
Accrued Vacation	372,526	416,343	409,536	409,536	386,990	409,436	433,183	458,308	484,890
Bereavement Pay	1,345	8,088	1,398	7,856	8,000	8,000	8,000	8,000	8,000
Disability Insurance - Private	51,728	56,122	59,307	57,534	58,373	59,540	60,731	61,945	63,184
Group Life Insurance > \$50,000 (taxable)	7,233	-	-	-	-	-	-	-	-
Group Medical Insurance	941,108	1,017,679	967,541	973,516	1,005,463	1,106,010	1,161,310	1,277,441	1,341,313
Medicare Tax - Employer	94,167	94,550	95,922	94,128	97,975	101,978	108,265	114,864	119,593
Pension Benefit in Excess of Cap	2,824	2,199	2,937	-	-	-	-	-	-
Retiree Health PARS Investment	500,000	504,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Retiree Health Benefits	281,389	384,936	308,402	384,038	410,920	441,739	461,176	500,376	527,896
Retirement - PERS Normal Costs	517,823	500,175	609,905	491,380	575,874	623,077	717,208	761,581	793,339
Retirement - PERS Unfunded Liability	429,804	497,705	595,685	595,685	743,842	908,700	1,038,700	1,203,000	1,346,400
Unemployment Ins./Reimbursement	1,378	1,234	1,433	1,500	2,000	2,000	2,000	2,000	2,000
Workers Compensation Ins.	76,883	212,990	223,717	163,144	200,000	220,000	220,000	220,000	220,000
Total O&M Budget Fringe Benefits Pool	3,865,192	4,370,418	4,243,018	4,147,485	4,489,294	4,918,897	5,289,789	5,729,896	6,074,665
					8.2%	9.6%	7.5%	8.3%	6.0%
Pay for Time Worked Labor Base(Regular Salaries)									
O&M		3,184,417	3,475,459	3,475,459	3,587,173	3,696,129	3,937,488	4,191,469	4,446,641
Environmental		815,299	895,840	895,840	873,845	924,404	978,019	1,034,744	1,094,759
Engineering including CIP Labor		305,422	388,651	388,651	413,184	437,071	462,338	489,065	517,338
Admin		695,744	871,373	871,373	949,294	1,004,172	1,062,224	1,123,631	1,063,571
IT		44,447	87,428	87,428	92,389	97,730	103,398	109,395	115,740
Total Pay for Time Worked Labor Base	4,976,917	5,045,329	5,718,751	5,718,751	5,915,885	6,159,505	6,543,466	6,948,304	7,238,049
Fringe Rate	78%	86.6%	74.2%	72.5%	75.9%	79.9%	80.8%	82.5%	83.9%

Agenda Item

Agenda Item No.:

Legal Counsel Review: No

Meeting Date: March 7, 2018

Project Committee: PC-2, 15 and 17

TO: Finance Committee

FROM: Jim Burror, Director of Operations

SUBJECT: FY18-19 Proposed Small Internal Capital

Summary

A Small Internal Capital Budget is included within the Large Capital Program. The proposed items/projects will be included in the FY18-19 Budget to make up the Small Internal Capital Budget.

Discussion/Analysis

Ongoing O&M and IT work includes capital upgrades, replacement and rehabilitations. These types of efforts typically do not require engineering or inspection services to complete. The projects are over \$5,000 and have a life of 5 years or extend the life of a piece of equipment that is at the end of its useful life by 5 or more years.

The following is a comparison of the proposed budget to last year's budget:

Committee	FY17/18	FY18/19	Delta
PC2	\$755,000	\$755,000	\$0
PC5	\$12,000	\$0	(\$12,000)
PC15	\$645,000	\$631,000	(\$14,000)
PC17	\$550,000	\$635,000	\$85,000

There is no change in funding levels for PC2 (JBL) and no planned improvements to PC5 (San Juan Creek Ocean Outfall) for FY18-19. PC-15 (CTP) is proposed to be slightly lower than funding in FY17/18. PC17 (RTP) includes a modest increase to accommodate a growing list of major pump overhauls for equipment that has reached the end of its expected useful life. The growing list of pumps at RTP will be overhauled because the cost to replace the pumps is more than the planned overhauls that will extend their useful lives.

The effectiveness of the O&M program, including implementing small internal capital projects and supporting large capital projects, has remained within benchmarks for both preventative and corrective task and callback ratios.

The following is an assessment of the prior 12 months O&M activities:

Task(1)	Number	%
Preventative Tasks	3955	NA
Corrective Tasks	354	8.95%
Callback Tasks	18	5.08%

(1) Driven equipment tasks only.

The corrective task ratio has increased from 5.9% from FY16/17 but the callback ratio dropped slightly from 6.0%. The increase in corrective tasks has been associated with polymer pump failures at RTP and JBL. SOCWA switched to a formula that is stored locally to avoid direct shipments from the state of Georgia, however the polymer is older and tends to plug the polymer pumps.

The depreciated asset profile for 566 pieces of rotating equipment at the plants is not expected to change with the planned program funding level. The number of items to be replaced will essentially maintain the current profile by offsetting new items entering the end of their expected useful lives. The following slides were presented to the Board in 2017.

Fiscal impact

The allocations of costs to the Member Agencies will be included with the draft budget document.

Recommendation

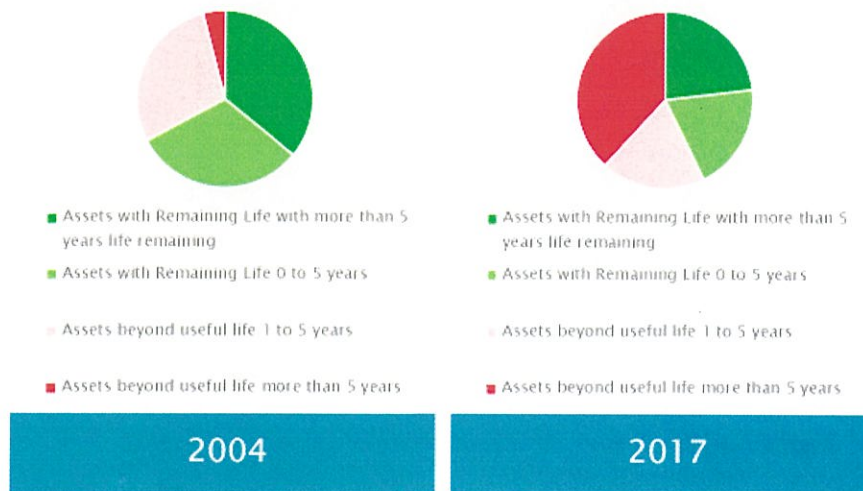
Information Item

attachments

Proposed Small Internal Capital Budget Book Pages

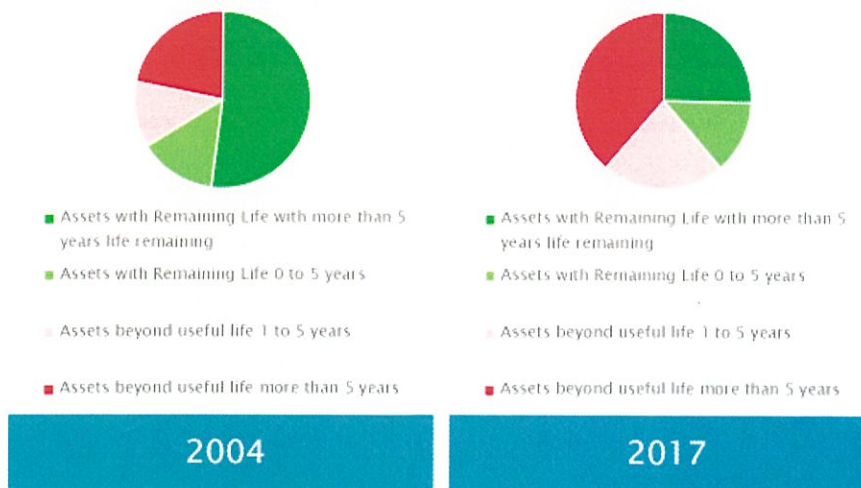
Related Graphs

JBL Plant (PC-2) Rotating/Driven Equipment Summary



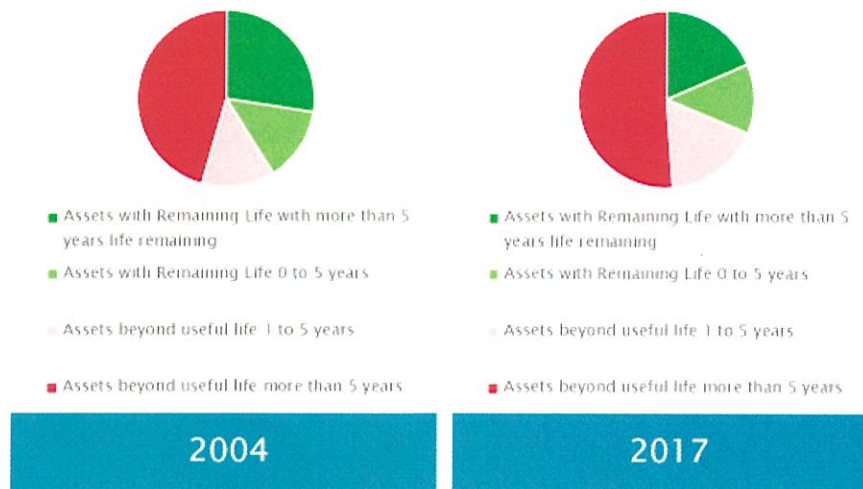
5

CTP Plant (PC-15) Rotating/Driven Equipment Summary



6

RTP Plant (PC-17) Rotating/Driven Equipment Summary



7

Prior Related Project Committee or Board Action(s)

None

SOCWA
Small Internal Capital
Budget Overview
March 2018

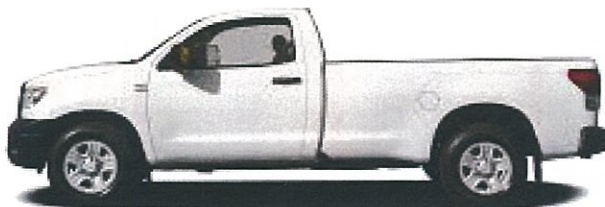
Asset Management for Maintenance Strategic Initiative

- ▶ April 26, 2017 Strategic Planning Meeting
- ▶ Update Board on SOCWA's Maintenance program and provide summary of forward steps in October 2017.
- ▶ Update on small internal capital and effectiveness of maintenance program today...

O&M and Engineering Capital



About \$30M
in this type
of equipment
at SOCWA



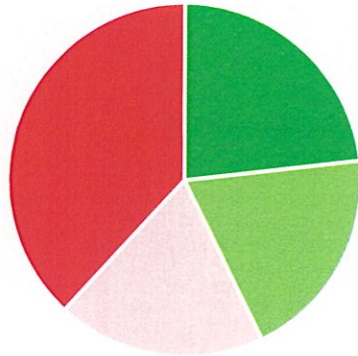
Large Versus Small Capital

- ▶ Major Systems Repairs
- ▶ Design requirements (ex. structural engineering)
- ▶ New regulations
- ▶ Complex shutdowns and tie-ins
- ▶ Large (multiyear) efforts
- ▶ New Services/ Processes
- ▶ Point/Temporary Repairs
- ▶ Emergency Repairs
- ▶ Standalone items
- ▶ IT and Security
- ▶ Obsolescence issues
- ▶ Limit scope items
- ▶ Limited staffing in Engineering to support
- ▶ Near term or critical need (Planned or unplanned in CIP project)

Large Cap

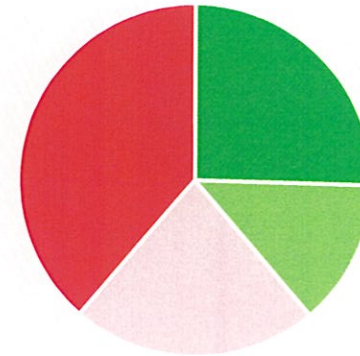
Small Cap

Rotating Driven Equipment Status



- Assets with Remaining Life with more than 5 years life remaining
- Assets with Remaining Life 0 to 5 years
- Assets beyond useful life 1 to 5 years
- Assets beyond useful life more than 5 years

PC2



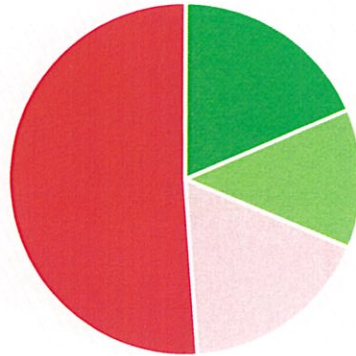
- Assets with Remaining Life with more than 5 years life remaining
- Assets with Remaining Life 0 to 5 years
- Assets beyond useful life 1 to 5 years
- Assets beyond useful life more than 5 years

PC15

Note: Data from October 2017 Board briefing.

Rotating Driven Equipment Status

(cont'd)



- Assets with Remaining Life with more than 5 years life remaining
- Assets with Remaining Life 0 to 5 years
- Assets beyond useful life 1 to 5 years
- Assets beyond useful life more than 5 years

PC17

Note: Data from October 2017 Board briefing.

Small internal capital budget request

PC/FY	FY17/18	FY18/19	Delta
PC2	\$755,000	\$755,000	\$0
PC5	\$12,000	\$0	(\$12,000)
PC15	\$645,000	\$631,000	(\$14,000)
PC17	\$550,000	\$635,000	\$85,000
Total	\$1,962,000	\$2,021,000	\$59,000

Managed Maintenance Program Highlights (last year)

- ▶ Pumps and other driven equipment with Preventative Maintenance (PM) programs:
 - 3955 PM tasks (2539 (2016))
 - 354 Equipment failures (Corrective) – 8.95 % (210 and 8.3% (2016))
 - 18 Callbacks failures reoccurred – 5.08% (18 and 6.0% (2016))
- ▶ Lifecycle Engineering indicates that an effective PM program is at least 6:1 (under 16%)
- ▶ Callbacks should range between 3% and 10%



QUESTIONS?

Agenda Item

Agenda Item No.:

Legal Counsel Review: No

Meeting Date: March 7, 2018

Project Committee: PC-2, 15, 17,
24, and 5

TO: Finance Committee

FROM: Brian Peck, Director of Engineering

SUBJECT: FY18-19 and FY 19-20 Proposed Capital Program

Summary

The Engineering Director, Brian Peck, has been working with the Engineering Committee on a series of revisions to SOCWA Capital "10 Year" Plan updates. At the Finance Committee meeting, Brian Peck will provide an overview of the approach to the Capital Plan Updates and provide discussion of the 2-year look forward for FY 2018-19 and 2019-20 Capital spending. At the meeting, staff will also cover the estimates of Residual Engineering costs for the FY 2018-19 Budget.

Recommendation

Information Item

attachments

Proposed Residual Engineer Expenses.

South Orange County Wastewater Authority 2018-19 Residual Engineering Expenses

		FY 2015-16 Actual	FY 2016-17 Actual	FY 2017-18 Budget	FY 18-19 Budget	Q1 FY 18-19	Q2 FY 18-19	Q3 FY 18-19	Q4 FY 18-19
Salary and Fringe									
01-5000-03-00-00	Regular Salaries-O&M	43,715	153,513	155,460	197,716	49,429	49,429	49,429	49,429
01-5401-03-00-00	Fringe Benefits IN to PC's & Depts.	34,097	126,599	115,351	150,066	37,517	37,517	37,517	37,517
	Total Payroll Costs	77,812	280,112	270,812	347,782	86,946	86,946	86,946	86,946
Other Expenses									
01-5014-03-00-00	Engineering - Misc.	3,186							
01-5015-03-00-00	Management Support Services	16,004		1,000					
01-5017-03-00-00	Legal Fees		830						
01-5022-03-00-00	Miscellaneous Expense	7,437		3,000	3,060	765	765	765	765
01-5023-03-00-00	Office Supplies - All	37	0	0	200	50	50	50	50
01-5033-03-00-00	Recruitment	29,815	265						
01-5034-03-00-00	Travel Expense/Tech. Conferences	974	1,893	6,350	6,659	1,665	1,665	1,665	1,665
01-5035-03-00-00	Training Expense	594	2,131	3,300	6,000	1,500	1,500	1,500	1,500
01-5037-03-00-00	Office Equipment				4,000	1,000	1,000	1,000	1,000
01-5039-03-00-00	Membership Dues/Fees	862	779	1,775	2,025	506	506	506	506
01-5061-03-00-00	Mileage	98	147	200	300	75	75	75	75
01-5077-03-00-00	IT Direct								
01-5309-03-00-00	Operating Leases	15,348	18,637	16,500	20,637	5,159	5,159	5,159	5,159
01-5301-03-00-00	Monthly Car Allowance	1,938	4,281	4,200	4,200	1,050	1,050	1,050	1,050
01-5802-03-00-00	Shipping/Freight	0	79	300	300	75	75	75	75
01-6500-03-00-00	IT Allocations in to PC's & Depts.	45,721	34,864	58,489	64,960	16,240	16,240	16,240	16,240
	Total Other Expenses	122,014	63,906	95,114	112,341	28,085	28,085	28,085	28,085
Total Residual Engineering Expenses		199,826	344,018	365,926	460,124	115,031	115,031	115,031	115,031

Agenda Item

Agenda Item No.:

Legal Counsel Review: No

Meeting Date: March 7, 2018

Project Committee: PC-2, 15, 17,
24, and 5

TO: Finance Committee

FROM: Amber Baylor, Director of Environmental Compliance

SUBJECT: FY18-19 Information Technology ("IT") Budget

Summary

Attached please find the draft FY 2018-19 IT Budget. The draft budget includes:

- A \$72,000 reduction in software maintenance agreement costs, which will move to IT Direct in O&M Budget as related to SCADA systems.
- A projected increase in IT Professional Services of \$145,000 which includes:
 - ✓ Disaster recovery off-site data service storage
 - ✓ JBL wireless project upgrade
- Management support services in the amount of \$64,500 which includes:
 - ✓ Data gap analysis needed for enterprise resource planning
 - ✓ IT system coverage to ensure business functionality

Recommendation

Information Item

South Orange County Wastewater Authority **2018-19 IT Expenses**

		FY 2015-16 Actual	FY 2016-17 Budget	FY 2017-18 Budget	FY 2018-19 Budget	Q1 FY 18-19	Q2 FY 18-19	Q3 FY 18-19	Q4 FY 18-19
Salary & Fringe									
01-6000-05-00-00	Regular Salaries-Admin & IT	66,870	74,052	87,428	92,389	23,097	23,097	23,097	23,097
01-6001-05-00-00	Overtime Salaries-Admin & IT	1,275	2,004	2,076	3,071	768	768	768	768
01-6315-05-00-00	Comp Time - IT				2,323	581	581	581	581
01-5401-05-00-00	Fringe Benefits IN to PC's & Depts.	52,159	52,572	64,871	70,123	17,531	17,531	17,531	17,531
Total Salary & Fringe		120,304	128,628	154,375	167,906	41,976	41,976	41,976	41,976
					8.8%				
Other Expenses									
01-5023-05-00-00	Office Supplies - All	91	-		-	-	-	-	-
01-5028-05-00-00	Small Tools & Supplies	458	504	1,250	1,000	250	250	250	250
01-5035-05-00-00	Training Expense	99	-	7,800	12,000	3,000	3,000	3,000	3,000
01-5037-05-00-00	Office Equipment	3,626	6,000	1,270	400	100	100	100	100
01-5061-05-00-00	Mileage	83	348	1,008		-	-	-	-
01-6102-05-00-00	Subscriptions	168	-		-	-	-	-	-
01-6200-05-00-00	Management Support Services	5,021	-		64,500	16,125	16,125	16,125	16,125
01-6234-05-00-00	Memberships & Trainings	13,701	1,848		2,750	688	688	688	688
01-6239-05-00-00	Travel & Conference	1,586	2,496	9,900	9,900	2,475	2,475	2,475	2,475
01-6300-05-00-00	Software Maintenance Agreements	74,078	57,144	170,893	98,893	24,723	24,723	24,723	24,723
01-6301-05-00-00	Hardware Maintenance Agreements	150,043	12,912	11,657	11,657	2,914	2,914	2,914	2,914
01-6302-05-00-00	Cloud Subscriptions (Internet)	21,049	9,516	45,300	45,800	11,450	11,450	11,450	11,450
01-6303-05-00-00	Telecommunications	116,136	109,020	134,300	129,940	32,485	32,485	32,485	32,485
01-6305-05-00-00	IT Professional Services	158,246	241,500	77,000	222,000	55,500	55,500	55,500	55,500
01-6306-05-00-00	Small Hardware Purchases (< \$5k)	4,692	34,896	70,000	46,800	11,700	11,700	11,700	11,700
01-6307-05-00-00	Small Software Purchases & Licenses(<\$5k)	13,469	48,540	89,455	43,735	10,934	10,934	10,934	10,934
01-6308-05-00-00	IT Memberships	-	-	160	160	40	40	40	40
01-6309-05-00-00	Operating Leases	42,880	44,004	44,000	55,200	13,800	13,800	13,800	13,800
01-6310-05-00-00	Miscellaneous	-	996	5,000	5,000	1,250	1,250	1,250	1,250
01-6312-05-00-00	Computer & Photocopy Supplies	-	252	900	2,275	569	569	569	569
01-6601-05-00-00	Shipping/Freight	-	252	276	276	69	69	69	69
Total Other Expenses		605,426	570,228	670,169	752,286	188,071	188,071	188,071	188,071
					12.3%				
Total IT Expenses		725,730	698,856	824,544	920,191	230,048	230,048	230,048	230,048
					11.6%				
IT Allocations (Out) to PC's & Depts									
01-6400-05-00-00	IT Allocations (OUT) to PC's & Depts.	(725,730)	(698,856)	(824,544)	(920,191)	(230,048)	(230,048)	(230,048)	(230,048)
Total IT Allocations (Out) to PC's & Depts		(725,730)	(698,856)	(824,544)	(920,191)	(230,048)	(230,048)	(230,048)	(230,048)