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

September 15, 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 **September 15, 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
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FINANCE COMMITTEE MEETING
September 15, 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.

PAGE NO.

- Finance Committee Meeting of April 21, 2026

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

Recommended Action: Committee Discussion, Direction, and Action.

Recommended Action: Committee Discussion, Direction, and Action.

Recommended Action: Staff recommends that the Finance Committee recommend that the Board of Directors receive and file the June 2026 Financial Reports.

Recommended Action: Information Item.

Recommended Action: Information Item.

Recommended Action: Committee Discussion, Direction, and Action.

10. Adjournment

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.

FINANCE COMMITTEE MEETING
September 15, 2026

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 11th day of September 2026.

Lynda May

Lynda May, Assistant Secretary
SOUTH ORANGE COUNTY WASTEWATER AUTHORITY

MINUTES OF REGULAR MEETING
OF THE
SOUTH ORANGE COUNTY WASTEWATER AUTHORITY

Finance Committee

DRAFT

April 21, 2026

The Regular Meeting of the South Orange County Wastewater Authority (SOCWA) Finance Committee was held on April 21, 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
RONI GRANT	Capital Improvement Program (CIP) Manager
JACK BECK	Accountant
ANNA SUTHERLAND	Staff Accountant
MATT CLARKE	Chief Technology Officer
LYNDA MAY	Administrative Assistant/ Assistant Clerk
ROBERT CULVER	Environmental Service Manager

Also Participating:

KATHRYN FRESHLEY	El Toro Water District
MATT COLLINGS	Moulton Niguel Water District
KELSEY DECASAS	Moulton Niguel Water District
JOE MULLER	South Coast Water District
ADRIANA OCHOA	Snell & Wilmer
DREW BALLARD	Foster & Foster

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 Minutes

   - Finance Committee Special Meeting of March 17, 2026.

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

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

4. Use Audit Update FY 24-25

After a discussion of the allocation methodology for UAL and OPEB, the committee agreed the move forward with the Use Audit.

ACTION TAKEN
A motion was made by Director Cafferty and seconded by Director Bannigan to recommend to the Board the disbursement of the Use Audit funds, with the understanding that further actuarial analysis is needed to reconcile adjustments of the UAL and OPEB liabilities post reorganization.

Motion carried:	Aye 4, Nay 0, Abstained 0, Absent 0	
	Director Cafferty	Aye
	Director Bannigan	Aye
	Director Pender	Aye
	Director Castillo	Aye

5. FY 26-27 Budget

An open discussion ensued on the FY 26-27 budget, including the CIP Memo Summaries broken down by Project Committee. Legal Counsel was provided an update regarding legal interpretations of cash roll forward balances pertaining to Moulton Niguel Water District's cash contributions to open capital projects. Staff requested that legal counsels of the member agencies review the open questions for direction to SOCWA staff. Ms. Boone indicated that the capital portion of the budgets are being revised with a request to the SOCWA Engineering Committee for comment by April 29, 2026.

ACTION TAKEN
A motion was made by Director Castillo and seconded by Director Bannigan to recommend the Board approve the the FY 26-27 O&M Budget at $20,059,648.

Motion carried:	Aye 4, Nay 0, Abstained 0, Absent 0	
	Director Cafferty	Aye
	Director Bannigan	Aye
	Director Pender	Aye
	Director Castillo	Aye

6. Quarterly Investment Reporting Under Government Code Section 53646

Ms. Boone briefed the committee on the LAIF report's earnings, and provided an update on the upcoming PC 15 RFP for investment of monies from the Exit agreement.

7. Financial Reports for the Month of March 2026

An open discussion ensued on the reporting methods of capital projects (CIP), with Director Cafferty suggesting an emphasis on expected cash flow updates of open CIP projects.

ACTION TAKEN
A motion was made by Director Bannigan and seconded by Director Cafferty to recommend the Board receive and file the March 2026 Financial reports.

Motion carried:	Aye 4, Nay 0, Abstained 0, Absent 0	
	Director Cafferty	Aye
	Director Bannigan	Aye
	Director Pender	Aye
	Director Castillo	Aye

8. SOCWA Revenue Discussion

After a discussion on the methodology of reporting and tracking revenue sources, the committee agreed on the need to formalize a process and ensure compliance with the JPA. The committee requested that if there were additional revenue sources affecting the General Manager, that the information should be brought to the Committee for review. The Committee also requested a revenue policy for inclusion in the Policy Handbook.

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

After the committee agreed to move Item 9 to the front of the meeting, a presentation was given by Drew Ballard of Foster and Foster Actuaries on the Retiree Healthcare Plan valuation.

10. Adjournment

There being no further business, Chairperson Pender adjourned the meeting at 12:04 p.m.

I HEREBY CERTIFY that the foregoing Minutes are a true and accurate copy of the Minutes of the Regular Meeting of the South Orange County Wastewater Authority Finance Committee of April 21, 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 4

Finance Committee Meeting

Meeting Date: September 15, 2026

TO: Finance Committee

FROM: Amber Boone, General Manager

SUBJECT: General Manager's Report

Administrative Efficiency

Staff continue to work on administrative efficiency projects. Staff identified that open purchase orders result in back-office inefficiency. Staff instituted a new program where purchase orders are closed at the end of the fiscal year and reissued as needed based on Board action or budgeted expenses. This provides better transparency and fiscal management. The table below provides the summary of this project.

	Closed PO's 2026	Reissued PO's	Oldest PO
SSD-Eng only	19	1	6/16/2021
O&M Only	40	12	2/21/2019
Admin-IT Only	2	2	12/27/2023

Banking Request for Proposal (RFP)

Staff will be releasing RFPs for banking services in the week of 9/14/26 to better align with the smaller agency and product needs of SOCWA.

Annual Financial Audit Update

SOCWA is working with Badawi and Associates, the agency's financial audit team for completion of the annual financial audit by year end in compliance with the SOCWA Joint Powers Authority. SOCWA has finished the draft final trial balance and is working on the field audit the week of September 14, 2026, through September 20, 2026. The interim audit found no major issues, but the Audit team indicated that they would be carrying the findings from last audit forward as a matter of common practice within the auditing sector.

Recommended Action: Committee Discussion, Direction and Action

Agenda Item 5

Finance Committee Meeting	
Legal Counsel Review: Yes	
Meeting Date: September 15, 2026	

TO: Engineering Committee

FROM: Amber Boone, General Manager

STAFF CONTACT: Jim Burror, Deputy General Manager/Chief Engineer

SUBJECT: Draft Cost Allocation Policy

Summary

At its May 14, 2026, meeting, the SOCWA Board of Directors directed staff to review the draft Cost Allocation Policy and update the document to ensure it aligns with the following:

- Updated Joint Powers Authority (JPA) Agreements adopted in December 2024.
- Current budgeting and cost allocation practices by budget line item.
- Current SOCWA operations and maintenance (O&M) and capital billing practices.
- Member agency requests related to billing for contracted O&M and capital services.

This item provides a status update to the Engineering Committee, based on direction from the SOCWA Board on July 9, 2026 based on staff's review of these four issue areas. Based on that review, staff have prepared a redlined draft of the revised Cost Allocation Policy attached to this agenda item. At the August 20, 2026 Engineering Committee meeting, SOCWA staff requested feedback on the cost allocation policy. One set of comments were received as detailed below:

On the CIP Budget, treat certain non-use-related capital and standby maintenance items as examples of “other category common costs,” and the commenter asked staff to describe an approval process similar to the O&M budget instead of relying on the current unanimous-consent language. Under memberships, the comment is to include large-agency memberships (CASA, Clean Water SoCal, WERF, etc.), except WEROC, consistent with FY 2024/25 Board direction. On PC-15, the incomplete chlorine/sodium hypochlorite split (1% Liquids and 99% with no second category) is flagged for correction. The Use Audit section is marked only to call attention to Table 9 as the summary of methodology by project committee.

This policy is also moving parallel for review at the Finance Committee meeting in September.

Recommended Action: Committee Discussion, Direction, and 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 and non-CIP engineering expenses (Department 3) ~~of~~ for 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 Fund 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~~General Manager	50% ~~(General Manager)~~
Assistant Clerk	50%
Comp Time - Admin	50%
Other Expenses	
Car Allowance (General Manager)	50%
Public Notices	100%
Public Relations/Government Affairs	Board Directed
Contract Labor/Part-Time Labor	25%
Audit	100%
Legal Fees	40%
~~Memberships,~~ Conferences, Training, and Travel	75%
Large Agency Memberships except WEROC will be included in GF at 100%. (CASA, Clean Water Socal, WERF, etc.)	100%
~~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 Fees: For matters related to conducting Board-related business for labor and general counsels.

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

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

~~Regular Salaries-Admin~~Salary and Fringe: ~~Regular s~~Salary and employee benefits (or portions thereof) of the designated employees in Table 1. ~~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.

Conferences, Training, and Travel: Employee expenses for conferences, training, and travel for the designated employees in Table 1.

Memberships: Large Agency Memberships, except WEROC, will be included CASA, Clean Water Socal, WERF, etc.)(Per Board Direction with FY24-25 Budget approval.)

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 with a hire date before 6/30/2017. 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 Capital Repair Allocations (aka CIP Projects)

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~~Treatment Plant)

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 3A and 3B. 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))". Also per the agreement, MNWD has provided SOCWA its future commitment post 2029 of 1.5 mgd utilization at PC2

~~**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%~~

Table 3A: PC2 JBL Latham Treatment Capacity Allocations - Until 2029 - Summary

Agency	Liquids (mgd)	Solids (mgd)(1)	Solids (lbs)(1)	Common-L (%)	Common-S (%)
SMWD	6.25	10.80	22,518	48.08%	58.38%
SCWD	3.75	3.70	7,715	28.85%	20.00%
MNWD(1)	3.00	4.00	8,340	23.08%	21.62%
Total	13.00	18.50	38,573	100.00%	100.00%

(1) Owned by SCWD on behalf of MNWD by agreement.

Table 3B: PC2 JBL Latham Treatment Capacity Allocations - Post 2029 - Summary

Agency	Liquids (mgd)	Solids (mgd)(1)	Solids (lbs)(1)	Common-L (%)	Common-S (%)
SMWD	6.25	10.80	22,518	48.08%	58.38%
SCWD	5.25	6.20	12,927	40.38%	33.51%
MNWD(1)	1.50	1.50	3,128	11.54%	8.11%
Total	13.00	18.50	38,573	100.00%	100.00%

(1) Owned by SCWD on behalf of MNWD by agreement.

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	16.62~~0~~%	13.296
SCWD	~~18.829~~12.47%	~~15.063~~9.976
MNWD-SCWD(1)~~SMWD~~	~~64.55~~16.36%	~~51.64~~5.088
SMWD	55.40%	44.320
MNWD-SMWD(2)	9.15%	7.320
Total	100.00~~0~~%	80.000

PC 8 (Pretreatment ~~Costs~~Program)

PC 8 costs are allocated using two categories: insurance costs and all other costs. Insurance costs are equally divided among the ~~remain in the budget with direct costs billed to Contract~~ Member and Participating Agencies ~~based on where labor worked~~.

PC 12 (Water Reclamation Permits)

The PC 12 costs are allocated using two categories: equally split and actual acre-feet of recycled water deliveries. The costs for each line budgeted item is first split 50/50 between the two categories. The first 50% is spilt equally among the Member and Participating Agencies. The second 50% is split proportionally among the Member and Participating Agencies based on actual ~~actual~~ acre-feet of recycled water deliveries ~~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).~~

- Trabuco County Water District (TCWD) contracts for services under a separate agreement. Expenses attributed to TCWD offset expenses in PC12 prior to allocation to the Member Agencies. Any new or supplemental contracted services will be billed directly to TCWD.

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 Capacity (mgd)	AWT (%)	Liquids and 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 6A and 6B. 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 6A: PC 21 - Effluent Transmission Main ~~(ETM)~~Reaches B/C/D Summary ~~Capacity Summary Reach B/C/D/E (Owned and Maintained by SOCWA)~~

Agency	Hydraulic Capacity	Ownership Percentage (%)
ETWD ~~-~~ ~~B/C/D~~	~~15~~7.5	~~100~~50~~%~~
~~ETWD -~~ ~~E~~IRWD(1)	~~32.2~~7.5	~~100~~50~~%~~
Total	15.0	100

(1) Owned by ETWD on behalf of IRWD by agreement.

Table 6B: PC 21 - Effluent Transmission Main Reach E Summary

Agency and Reach	Hydraulic Capacity	Ownership Percentage (%)
ETWD	7.5	23.29
IRWD(1)	7.5	23.29
MNWD(2)	17.2	53.42
Total	32.2	100

(1) Owned by ETWD on behalf of IRWD by agreement.
(2) Owned by ETWD on behalf of MNWD by agreement.

PC 23 North Coast Interceptor ~~Costs~~

PC23 costs are budgeted in two categories: direct SOCWA expenses and CLB contract operational expenses. The first category of expenses are budgeted within the SOCWA budget for expenses to support contract operations CLB, or expenses to be billed directly to one or both of the Member Agencies upon request. The second category of expenses are for CLB contract operations per Project Committee No. 23 and the City of Laguna Beach for the North

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Coast Interceptor Sewer and Interceptor Pumping Stations, dated August 5, 2010, and the subsequent extensions.

Regardless, 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 Summary

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%
EBSD~~B~~	0.390	0.78%
ETWD	~~37.955~~8.151	~~75.91~~16.30%

ETWD-MNWD(1)	21.924	43.85%
ETWD-IRWD(2)	7.880	15.76%
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 each Project Committee: ~~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~~ each operational process~~es~~ (Liquids, Solids, ~~Common,and~~Common, and 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).
   ~~7.~~

PC 2 Cost Allocation Structure

- Regular Salaries, Overtime, ~~Performance Based~~Performance Based Merit Pay, Scheduled Holiday Work , Comp Time, Standby Pay, Fringe Benefits IN to PC's & Depts., Group Insurance Waiver, Medicare Tax Payments, Monthly Car Allowance: Based on Actual or Planned Utilization (Timecards)
- Electricity and Natural Gas: 65.00%, Liquids 25.00%, Solids 5.00%, L-Common, and 5.00%S-Common
- Potable & Reclaimed Water: 40.00% Liquids, 50.00% Solids, 5.00%, L-Common, and 5.00, and %S-Common
- Chlorine/Sodium Hypochlorite and Grit, Maintenance Equip. & Facilities (Liquids): 100.00% Liquids

- Polymer Products, Ferric Chloride, Digester Cleaning, Maintenance Equip. & Facilities (Solids and Co-Gen), and Biosolids: 100.00% Solids
- Odor Control Chemicals: 54.00% Liquids and 46.00% solids
- Laboratory Services, Supplies, and Leases: 75.00% Liquids and 25.00% Solids
- All other expenses: 50.00% L-Common and 50.00% S-Common
- Consumables, Management Support Services, Audit, Legal Fees, Contract Services Misc., Insurance - Property/Liability, Trash Disposal, Recruitment, Memberships, Conferences, Training and Travel, Office Equipment, Permits, Diesel Truck Expenses, Maintenance Equip. & Facilities (Common), Education Reimbursement, IT/SCADA O&M, Employee Recognition, Operating Leases, Stormwater Station, and IT Allocations in to PC's & Depts.: 50.00% L-Common and 50.00% S-Common

~~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.~~

PC8 Cost Allocation Structure

- All costs (except insurance) are based on actual or Planned Utilization (Timecards) in each Agency's service area.
- Insurance costs are allocated evenly amongst the participating (SOCWA members and contract agencies) evenly.

PC12 Cost Allocation Structure

- All costs are split 50/50. The first 50% is divided equally amongst the three (3) participating agencies. The second 50% is allocated based on each agency's proportionate share of the total recycled water delivered in their service area.

PC15 Cost Allocation Structure

- Regular Salaries, Overtime, Performance Based Merit Pay, Scheduled Holiday Work, Comp Time, Standby Pay, Fringe Benefits IN to PC's & Depts., Group Insurance Waiver, Medicare Tax Payments, Monthly Car Allowance: Based on Actual or Planned Utilization (Timecards)
- Electricity: 90.00% Liquids, 3.00% L-Common, and 7.00%AWT
- Natural Gas: 50.00% Liquids and 50.00% L-Common
- Potable & Reclaimed Water: 90.00% Liquids and 10.00% L-Common
- Chlorine/Sodium Hypochlorite: 1.00% Liquids and 99.00%
- Polymer Products, Ferric Chloride, Odor Control Chemicals, Grit Hualing, Maintenance Equip. & Facilities (Liquids)~~-~~: 100.00% Liquids
- Laboratory Services, Supplies, and Leases: 50.00% Liquids and 50.00% AWT
- Maintenance Equip. & Facilities (AWT): 100.00 %AWT
- All other expenses: 100.00% L-Common
- Consumables, Management Support Services, Audit, Legal Fees, Contract Services Misc., Insurance - Property/Liability, Trash Disposal, Recruitment, Memberships, Conferences, Training and Travel, Office Equipment, Permits, Diesel Truck Expenses, Maintenance Equip. & Facilities (Common), Education Reimbursement, Access Road Damage, Storm Damage, IT/SCADA O&M, Employee Recognition, Operating Leases, Stormwater Station, and IT Allocations in to PC's & Depts.: 100.00% L-Common

~~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.

Administration, UAL, OPEB, and General Fund Cost ~~Budget~~ Allocations Structure

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.
10. Allocation of Capacity Rights Transfer: Staff will allocate costs to contract agencies utilizing “care of (c/o)” methodology per the 2025 reorganization agreements.

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 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.

[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.

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~~ 3 years, or a value in excess of $~~1~~5,000, 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.~~ Not applicable	All O&M Costs are ~~Allocated~~ allocated by ownership percentages~~to PC members based on fixed capacity ownership.~~	All Capital Costs area allocated by ownership percentages.~~Allocated to PC members based on fixed capacity ownership.~~
PC 8	Variable	Allocated based on the percentage of staff time spent in each participating ~~agencies service area.~~.agency's service area.	Insurance costs are ~~S~~shared equally among all participating ~~member~~ agencies.	Shared equally among all participating ~~member~~ agencies.
PC 12	Variable	Total costs are split 50/50 between fixed and variable. Variable is ~~A~~allocated proportionally to each PC ~~parcipating~~participating agency ~~member~~ based on proportionate share of non-potable water production and projections.	Total costs are split 50/50 between fixed and variable. Fixed is ~~D~~divided equally between each PC participating agency~~member~~. ~~Insurance is allocated equally amongst the Participating Member Agencies.~~	Not applicable.
PC 15	Variable	Liquids related costs are allocated based on the agency's prior calendar year's flows to prepare the budget. The Use	Common costs are allocated to the PC members based on their liquids capacity	Plant Liquids and Common capital costs are allocated to the PC members based on their

		Audit process uses the actual FY totals for Liquids. 100% of the AWT costs are allocated ~~attributed~~ to SCWD.	ownership allocations.	liquids ownership allocations. 100% of the AWT capital costs are allocated to SCWD.
PC 17*	Variable	All variable O&M costs are allocated to MNWD unless otherwise stated in the Budget/Use Audit, an accompanying agreement, or SOCWA Board action.~~.~~	All fixed O&M costs are allocated to MNWD unless otherwise stated in the Budget/Use Audit, an accompanying agreement, or SOCWA Board action..	Any designated capital costs will be allocated to the Budget/Use Audit based on the an accompanying agreement or SOCWA Board action.
PC 21	Fixed	Not applicable.	All O&M Costs are ~~A~~allocated to ETWD~~each PC member based on percentage of capacityownership~~.	All costs are allocated to ETWD.~~Allocated to each PC member based on capacity ownership.Allocated to PC members based on percentage of ownership.~~
PC 23	Fixed	Not applicable.~~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	Not applicable.~~Allocated to PC members based on fixed ownership.~~	All O&M Costs are ~~A~~allocated to PC members based on ~~capacity~~ ownership percentages.~~Allocated to PC members based on fixed ownership.~~	All Capital Costs are~~a~~ ~~A~~allocated by ownership percentages~~ to PC members based on capacity 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 (JBL Treatment Plant)

~~Member Agency~~Influent average flows are used to allocate liquids O&M ~~for the FY were used in the flow allocation and applied~~ proportionally from the total combined flow from each ~~tributary trunk line~~agency. ~~The PC 2 uses FY flows and t~~Three-year FY average solid loadings are sued to allocate solids O&M costs to reconcile the budgeted amounts proportionally from the total combined solids from each agency. Each annual ~~S~~solids loading~~s~~ ~~are~~ is calculated ~~from~~ by 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 liquids and solids loadings in the Oso Trabuco Sewer to JBL~~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. In December 2025, MNWD finalized its exit agreement with the PC 2 Member Agencies, confirming a flow and equivalent solids loading allocation to JBL of 1.5 mgd beginning in 2029.

SOCWA tracks the costs by the historical ownership allocations to allow SCWD to bill MNWD for their use of the JBL.

PC 5 (San Jauan Creek Ocean Outfall)

The SJCOO O&M costs are all attributed to the current ownership capacities of each agency because the costs are fixed in nature and do not change as flows vary. SOCWA tracks the costs by the historical ownership allocations to allow SMWD and SCWD to bill MNWD for their use of the SJCOO.

~~Fixed costs based on ownership capacity per Member Agency.~~

PC 8 (Pretreatment Program)

O&M ~~C~~costs for the PT Program include allocations for all expenses, except insurance, are allocated based on actual time worked, and/or planned to work, within each member and participating agencies service area. Insurance costs (workers comp, liability auto, etc.) are allocated amongst the SOCWA member agencies equally.~~Allocation is based on timecard (where labor worked).~~

PC 12 (Recycled Water Permitting)

Total costs are split 50/50 between fixed and variable. Variable is allocated proportionally to each PC ~~parcipating~~participating agency based on proportionate share of non-potable water production and projections. Total costs are split 50/50 between fixed and variable. Fixed is divided equally between each PC participating agency. ~~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 (Coastal Treatment Plant)

Due to the lack of solids handling capacity at the Coastal Treatment Plant (CTP), the O&M allocation methodology is based on (liquids) 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 using daily flow reading s ~~(calculated from monthly meter read~~ from the EBSD 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 (Contract Laboratory Services)

All O&M costs are allocated to MNWD unless otherwise stated in the Budget/Use Audit, an accompanying agreement, or SOCWA Board action. ~~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.~~

~~Laboratory operations are tracked under PC 17 and have liquid and solid contributions. The liquid flow allocation is based on expenses related to processing wastewater liquids by MNWD and are solely attributed to MNWD. The solids flow allocations are based on laboratory expenses related to processing wastewater solids at the Regional Treatment Plant. These costs are also billed to MNWD, but tracked separately to allow MNWD to pass the expenses to the other agencies participating in the Regional Treatment Plant. Other contract Laboratory operational costs and revenues by SOCWA for the member and participating agencies are tracked based on their associated agreements. This includes direct agency billings to other agencies beside MNWD.~~

~~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.~~

PC21 (Effluent Transmission Main)

The ETM O&M costs are fully attributed to ETWD. SOCWA tracks the costs by the historical sections Reach B, C, D, and E) to allow ETWD to bill the other agencies participating in the use of the ETM. ~~Fixed costs based on ownership capacity per Member Agency.~~

PC 24 (Aliso Creek Ocean Outfall)

The ACOO O&M costs are all attributed to the current ownership capacities of each agency because the costs are fixed in nature and do not change as flows vary. SOCWA tracks the costs by the historical ownership allocations to allow ETWD to bill the other agencies participating in the use of the ACOO.

~~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. 2026~~5~~-07~~16~~ on ~~December~~ July 09~~11~~, 202~~5~~6, superseding all previous versions.

Agenda Item 6

Finance Committee Meeting

Meeting Date: September 15, 2026

TO: Finance Committee

FROM: Amber Boone, General Manager

STAFF CONTACT: Jack Beck, Accountant

SUBJECT: Financial Reports for the Month of June 2026

Summary/Discussion

The enclosed financial reports are provided to the Finance Committee for recommendation to the Board of Directors to receive and file the summary of the O&M Budget vs. Actual Expenses as of June 30, 2026:

	FY 2025-26 Budget	Actual	(Over)/Under Budget	% Expended
02 - Jay B. Latham Plant	8,616,077	8,559,682	56,395	99.3%
05 - San Juan Creek Ocean Outfall	944,588	791,849	152,739	83.8%
08 - Pre Treatment	289,662	239,614	50,048	82.7%
12 - Water Reclamation Permits	88,769	104,348	(15,579)	117.5%
15 - Coastal Treatment Plant	3,822,518	3,527,241	295,277	92.3%
17 - Joint Regional Wastewater Reclamation and Sludge Handling	568,217	723,293	(154,576)	127.2%
21 - Effluent Transmission Main	27,589	9,438	18,151	34.2%
23 - North Coast Interceptor	17,500	7,050	10,450	40.3%
24 - Aliso Creek Ocean Outfall	807,466	695,188	112,278	86.1%
Total	15,182,386	14,657,702	525,184	96.8%

The O&M expenses should be less than 100% to remain in budget for March.

The reports included are as follows:

a. Budget vs. Actual Expenses:
   - Capital Projects Summaries (Exhibit A)
   - Operations and Environmental Summary (Exhibit B-1)
   - Operations and Environmental by PC (B-1.2)
   - Administration (Exhibit B-3)
   - Information Technology (IT) (Exhibit B-4)

Recommended Action: Staff recommends that the Finance Committee recommend that the Board of Directors receive and file the June 2026 Financial Reports.

Exhibit A

South Orange County Wastewater Authority
Capital Projects Summaries
For the Period Ended June 30, 2026
(in dollars)

Description	FY 2025-26 Budget/Billings vs. Actual Spending					
	Capital Budget	Capital Billed	Fiscal Year Spending	(Over)/ Under Budget	% Expended to Budget	% Expended to Billings
PC 2-JB Latham	$ 8,213,790	$ 3,668,248	$ 2,812,892	$ 5,735,566	34.2%	76.7%
PC 5-San Juan Creek Outfall	-	-	7,626	(7,626)	-	-
PC 15-Coastal	3,771,345	2,977,737	1,898,335	1,873,010	50.3%	63.8%
PC 17-Regional	176,500	34,562	7,562	168,938	4.3%	21.9%
PC 21 Effluent Transmission	827,273	125,406	162,894	664,379	19.7%	129.9%
PC 24 Aliso Creek Outfall	45,000	22,500	23,756	21,244	52.8%	105.6%
Total Large Capital	**$ 13,033,908**	**$ 6,828,453**	**$ 4,913,065**	**$ 8,455,511**	**37.7%**	**71.9%**
Non-Capital Engineering	836,000	836,000	566,592	269,408	67.8%	67.8%
Small Internal Capital	1,380,000	1,351,000	1,068,532	311,468	77.4%	79.1%
Total Capital	**$ 15,249,908**	**$ 9,015,453**	**$ 6,548,189**	**$ 9,036,388**	**42.9%**	**72.6%**

Exhibit B-1

South Orange County Wastewater Authority
Preliminary O & M & Environmental Safety Costs Summary[1]
For the Period Ended June 30, 2026
(in dollars)

		FY 2025-26 Budget	Actual	(Over)/Under Budget	% Expended	
Salary and Fringe						
-5000--**-**	Regular Salaries-O&M	3,891,857	3,551,519	340,338	91.3%	
-5001--**-**	Overtime Salaries-O&M	56,941	52,461	4,480	92.1%	(1)
-5304--**-**	Severance Pay	-	45,701	(45,701)	N/A	
-5306--**-**	Scheduled Holiday Work	40,772	22,766	18,006	55.8%	
-5315--**-**	Comp Time - O&M	16,966	47,016	(30,050)	277.1%	(1)
-5401--**-**	Fringe Benefits IN to PC's & Depts.	1,962,205	1,921,664	40,541	97.9%	
-5700--**-**	Standby Pay	53,000	78,000	(25,000)	147.2%	(2)
	Total Payroll Costs	6,021,741	5,719,127	302,614	95.0%	
Other Expenses						
-5002--**-**	Electricity	1,101,040	1,452,509	(351,469)	131.9%	(3)
-5003--**-**	Natural Gas	225,980	95,901	130,079	42.4%	(4)
-5004--**-**	Potable & Reclaimed Water	51,000	67,166	(16,166)	131.7%	
-5006--**-**	Chlorine/Sodium Hypochlorite	182,500	223,762	(41,262)	122.6%	(5)
-5007--**-**	Polymer Products	550,000	535,260	14,740	97.3%	
-5008--**-**	Ferric Chloride	700,000	701,949	(1,949)	100.3%	
-5009--**-**	Odor Control Chemicals	115,000	82,415	32,585	71.7%	
-5010--**-**	Small Purchases and Consumables	217,516	216,265	1,251	99.4%	
-5011--**-**	Laboratory Services	66,104	68,768	(2,664)	104.0%	(6)
-5012--**-**	Grit Hauling	102,000	105,347	(3,347)	103.3%	
-5015--**-**	Management Support Services	407,500	413,115	(5,615)	101.4%	
-5016--**-**	Audit - Environmental	4,356	-	4,356	0.0%	
-5017--**-**	Legal Fees	10,000	8,581	1,419	85.8%	
-5019--**-**	Contract Services Misc.	566,100	548,766	17,334	96.9%	
-5027--**-**	Insurance - Property/Liability	737,903	500,834	237,069	67.9%	
-5030--**-**	Trash Disposal	6,000	16,349	(10,349)	272.5%	
-5033--**-**	Recruitment	-	985	(985)	N/A	
-5034--**-**	Memberships, Conferences, Training & Travel	212,430	165,862	46,568	78.1%	
-5036--**-**	Laboratory Supplies	144,522	181,039	(36,517)	125.3%	
-5037--**-**	Office Equipment	17,000	1,959	15,041	11.5%	
-5038--**-**	Permits	749,801	633,802	115,999	84.5%	(7)
-5044--**-**	Offshore Monitoring	100,000	123,857	(23,857)	123.9%	
-5045--**-**	Offshore Biochemistry - 20B	22,000	24,524	(2,524)	111.5%	(8)
-5046--**-**	Effluent Chemistry	52,880	49,316	3,564	93.3%	
-5047--**-**	Access Road Expenses	48,000	1,871	46,129	3.9%	
-5048--**-**	Storm Damage	20,000	-	20,000	0.0%	
-5049--**-**	Biosolids Disposal	800,000	733,957	66,043	91.7%	
-5054--**-**	Diesel Truck Maint	30,500	9,948	20,552	32.6%	
-5056--**-**	Maintenance Equip. & Facilities (Solids)	125,000	104,646	20,354	83.7%	
-5057--**-**	Maintenance Equip. & Facilities (Liquids)	300,000	426,530	(126,530)	142.2%	
-5058--**-**	Maintenance Equip. & Facilities (Common)	56,000	62,863	(6,863)	112.3%	
-5059--**-**	Maintenance Equip. & Facilities (Co-Gen)	308,000	346,101	(38,101)	112.4%	
-5060--**-**	Maintenance Equip. & Facilities (AWT)	30,000	51,672	(21,672)	172.2%	
-5068--**-**	MNWD Potable Water Supplies & Svcs.	41,000	43,741	(2,741)	106.7%	
-5076--**-**	SCADA Infrastructure	220,000	77,004	142,996	35.0%	

Exhibit B-1

South Orange County Wastewater Authority
Preliminary O & M & Environmental Safety Costs Summary[1]
For the Period Ended June 30, 2026
(in dollars)

		FY 2025-26 Budget	Actual	(Over)/Under Budget	% Expended
-5080--**-**	CCWRP Contracted Service Expenses	-	8,705	(8,705)	N/A
-5101--**-**	Employee Recognition	1,300	200	1,100	15.4%
-5303--**-**	Group Insurance Waiver	3,600	-	3,600	0.0%
-5309--**-**	Operating Leases	66,000	66,115	(115)	100.2%
-5705--**-**	Monthly Car Allowance	22,800	23,700	(900)	103.9%
-5777--**-**	Laboratory Lease	12,000	12,000	-	100.0%
-5799--**-**	Stormwater Station Costs Share - O&M	(14,000)	(38,214)	24,214	273.0%
-6500--**-**	IT Allocations in to PC's & Depts.	749,343	816,244	(66,901)	108.9%
	Total Other Expenses	9,161,175	8,965,414	195,761	97.9%
	Total O&M Expenses	**15,182,916**	**14,684,541**	**498,375**	**96.7%**

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

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

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

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

(1) Overtime and comp time are budgeted jointly.
(2) Additional shifts were needed to support the training of staff covering both CTP and JBL.
(3) Power costs elevated due to 60k cogeneration startup issues.
(4) Gas purchases reduced due to 60k cogeneration startup issues.
(5) Bleach Usage is elevated due to ongoing sewage septicity issues and elevated recycled water deliveries.
(6) Lab Services is elevated due to Verily payment in August 2025
(7) Annual payments are made at the beginning of the FY.
(8) 'Offshore Biochemistry is elevated due to molecular lab supplies.

Exhibit B-1.2

South Orange County Wastewater Authority
Preliminary O&M Budget vs. Actual Comparison by PC[1]
For the Period Ended June 30, 2026
(in dollars)

	FY 2025-26 Budget	Actual	(Over)/Under Budget	% Expended
02 - Jay B. Latham Plant	8,616,077	8,573,102	42,975	99.5%
05 - San Juan Creek Ocean Outfall	944,588	791,849	152,739	83.8%
08 - Pre Treatment	289,662	239,614	50,048	82.7%
12 - Water Reclamation Permits	88,769	104,348	(15,579)	117.5%
15 - Coastal Treatment Plant	3,822,518	3,540,661	281,857	92.6%
17 - Joint Regional Wastewater Reclamation and Sludge Handling	568,217	723,293	(154,576)	127.2%
21 - Effluent Transmission Main	27,589	9,438	18,151	34.2%
23 - North Coast Interceptor	17,500	7,050	10,450	40.3%
24 - Aliso Creek Ocean Outfall	807,466	695,188	112,278	86.1%
Total	15,182,386	14,684,541	498,345	97.0%

02 - Jay B. Latham Plant

Account	Description	FY 2025-26 Budget	Actual	(Over)/Under Budget	% Expended	
Salary and Fringe						
02-5000-**-**-**	Regular Salaries-O&M	2,114,092	1,884,067	230,025	89.1%	
02-5001-**-**-**	Overtime Salaries-O&M	41,564	38,210	3,354	91.9%	(1)
02-5304-**-**-**	Severance Pay	-	22,850	(22,850)	N/A	
02-5306-**-**-**	Scheduled Holiday Work	24,475	15,805	8,670	64.6%	
02-5315-**-**-**	Comp Time - O&M	13,574	29,215	(15,641)	215.2%	(1)
02-5401-**-**-**	Fringe Benefits IN to PC's & Depts.	1,065,880	1,019,435	46,445	95.6%	
02-5700-**-**-**	Standby Pay	41,000	69,000	(28,000)	168.3%	(2)
	Total Payroll Costs	3,300,585	3,078,583	222,002	93.3%	
Other Expenses						
02-5002-**-**-**	Electricity	791,040	1,076,126	(285,086)	136.0%	(3)
02-5003-**-**-**	Natural Gas	222,480	94,364	128,116	42.4%	(4)
02-5004-**-**-**	Potable & Reclaimed Water	27,000	39,911	(12,911)	147.8%	
02-5006-**-**-**	Chlorine/Sodium Hypochlorite	65,000	77,864	(12,864)	119.8%	(5)
02-5007-**-**-**	Polymer Products	550,000	535,260	14,740	97.3%	
02-5008-**-**-**	Ferric Chloride	400,000	543,595	(143,595)	135.9%	(5)
02-5009-**-**-**	Odor Control Chemicals	45,000	38,133	6,867	84.7%	
02-5010-**-**-**	Small Purchases and Consumables	151,100	131,022	20,078	86.7%	
02-5011-**-**-**	Laboratory Services	16,924	14,401	2,523	85.1%	
02-5012-**-**-**	Grit Hauling	80,000	78,782	1,218	98.5%	
02-5015-**-**-**	Management Support Services	25,000	73,144	(48,144)	292.6%	(6)
02-5016-**-**-**	Audit - Environmental	500	-	500	0.0%	
02-5017-**-**-**	Legal Fees	5,000	8,581	(3,581)	171.6%	
02-5019-**-**-**	Contract Services Misc.	343,000	314,117	28,883	91.6%	
02-5027-**-**-**	Insurance - Property/Liability	353,523	225,974	127,549	63.9%	
02-5030-**-**-**	Trash Disposal	3,000	6,751	(3,751)	225.0%	(7)
02-5033-**-**-**	Recruitment	-	867	(867)	N/A	
02-5034-**-**-**	Memberships, Conferences, Training & Travel	90,785	90,874	(89)	100.1%	
02-5036-**-**-**	Laboratory Supplies	21,630	27,010	(5,380)	124.9%	(8)
02-5037-**-**-**	Office Equipment	14,000	1,342	12,658	9.6%	
02-5038-**-**-**	Permits	34,195	69,660	(35,465)	203.7%	(9)
02-5049-**-**-**	Biosolids Disposal	800,000	732,938	67,062	91.6%	

South Orange County Wastewater Authority

Exhibit B-1.2

Preliminary O&M Budget vs. Actual Comparison by PC[1]

For the Period Ended June 30, 2026

(in dollars)

		FY 2025-26 Budget	Actual	(Over)/Under Budget	% Expended	
02-5054-**-**-**	Diesel Truck Maint	29,000	5,465	23,535	18.8%	
02-5056-**-**-**	Maintenance Equip. & Facilities (Solids)	125,000	104,164	20,836	83.3%	
02-5057-**-**-**	Maintenance Equip. & Facilities (Liquids)	200,000	302,383	(102,383)	151.2%	(10)
02-5058-**-**-**	Maintenance Equip. & Facilities (Common)	30,000	41,419	(11,419)	138.1%	(10)
02-5059-**-**-**	Maintenance Equip. & Facilities (Co-Gen)	308,000	346,043	(38,043)	112.4%	(11)
02-5076-**-**-**	SCADA Infrastructure	110,000	38,009	71,991	34.6%	
02-5101-**-**-**	Employee Recognition	1,000	100	900	10.0%	
02-5309-**-**-**	Operating Leases	66,000	66,115	(115)	100.2%	
02-5705-**-**-**	Monthly Car Allowance	10,000	15,096	(5,096)	151.0%	
02-5777-**-**-**	Laboratory Lease	3,000	3,000	-	100.0%	
02-5799-**-**-**	Stormwater Station Costs Share - O&M	(14,000)	(38,214)	24,214	273.0%	(12)
02-6500-**-**-**	IT Allocations in to PC's & Depts.	408,315	430,227	(21,912)	105.4%	
	Total Other Expenses	5,315,492	5,494,519	(179,027)	103.4%	
	Total Expenses	8,616,077	8,573,102	42,975	99.5%	
05 - San Juan Creek Ocean Outfall						
Salary and Fringe						
05-5000-**-**-**	Regular Salaries-O&M	85,709	66,320	19,389	77.4%	
05-5001-**-**-**	Overtime Salaries-O&M	106	596	(490)	562.7%	(13)
05-5306-**-**-**	Scheduled Holiday Work	515	-	515	0.0%	
05-5315-**-**-**	Comp Time - O&M	-	2,847	(2,847)	N/A	
05-5401-**-**-**	Fringe Benefits IN to PC's & Depts.	42,743	35,884	6,859	84.0%	
	Total Payroll Costs	129,073	105,648	23,425	81.9%	
Other Expenses						
05-5015-**-**-**	Management Support Services	150,000	148,837	1,163	99.2%	
05-5016-**-**-**	Audit - Environmental	500	-	500	0.0%	
05-5027-**-**-**	Insurance - Property/Liability	114,398	67,112	47,286	58.7%	
05-5034-**-**-**	Travel Expense/Tech. Conferences	15,585	10,564	5,021	67.8%	
05-5036-**-**-**	Laboratory Supplies	41,300	32,876	8,424	79.6%	
05-5038-**-**-**	Permits	382,658	303,991	78,667	79.4%	(14)
05-5044-**-**-**	Offshore Monitoring	50,000	61,329	(11,329)	122.7%	
05-5045-**-**-**	Offshore Biochemistry - 20B	11,000	12,108	(1,108)	110.1%	(15)
05-5046-**-**-**	Effluent Chemistry	29,000	25,473	3,527	87.8%	
05-5058-**-**-**	Maintenance Equip. & Facilities (Common) 41-C	1,000	-	1,000	0.0%	
05-5705-**-**-**	Monthly Car Allowance	700	512	188	73.1%	
05-5777-**-**-**	Laboratory Lease	3,000	3,000	-	100.0%	
05-6500-**-**-**	IT Allocations in to PC's & Depts.	16,374	20,399	(4,025)	124.6%	
	Total Other Expenses	815,515	686,201	129,314	84.1%	
	Total Expenses	944,588	791,849	152,739	83.8%	

South Orange County Wastewater Authority **Exhibit B-1.2**

Preliminary O&M Budget vs. Actual Comparison by PC[1]

For the Period Ended June 30, 2026

(in dollars)

		FY 2025-26 Budget	Actual	(Over)/Under Budget	% Expended
08 - Pre Treatment					
Salary and Fringe					
08-5000-**-**-**	Regular Salaries-O&M	141,939	129,285	12,654	91.1%
08-5401-**-**-**	Fringe Benefits IN to PC's & Depts.	71,671	69,954	1,717	97.6%
	Total Payroll Costs	213,610	199,239	14,371	93.3%
Other Expenses					
08-5010-02-00-00	Small Purchases and Consumables	8,416	935	7,481	11.1%
08-5011-02-00-00	Laboratory Services	3,180	-	3,180	0.0%
08-5015-02-00-00	Management Support Services	20,000	-	20,000	0.0%
08-5016-02-00-00	Audit - Environmental	1,356	-	1,356	0.0%
08-5019-02-00-00	Contract Services Misc.	1,600	-	1,600	0.0%
08-5027-02-00-00	Insurance - Property/Liability	4,152	3,478	674	83.8%
08-5034-02-00-00	Travel Expense/Tech. Conferences	9,295	6,440	2,855	69.3%
08-5038-02-00-00	Permits	598	-	598	0.0%
08-6500-02-00-00	IT Allocations in to PC's & Depts.	27,455	29,522	(2,067)	107.5%
	Total Other Expenses	76,052	40,375	35,677	53.1%
	Total Expenses	289,662	239,614	50,048	82.7%
12 - Water Reclamation Permits					
Salary and Fringe					
12-5000-**-**-**	Regular Salaries-O&M	26,785	52,244	(25,459)	195.0%
12-5001-**-**-**	Overtime Salaries-O&M	-	140	(140)	N/A
12-5401-**-**-**	Fringe Benefits IN to PC's & Depts.	13,525	28,268	(14,743)	209.0%
	Total Payroll Costs	40,310	80,653	(40,343)	200.1%
Other Expenses					
12-5015-02-00-00	Management Support Services	35,000	-	35,000	0.0%
12-5016-02-00-00	Audit - Environmental	500	-	500	-
12-5027-02-00-00	Insurance - Property/Liability	1,283	1,116	167	87.0%
12-5034-02-00-00	Travel Expense/Tech. Conferences	5,795	786	5,009	13.6%
12-5080-02-00-00	CCWRP Contracted Service Expenses	-	8,705	(8,705)	N/A
12-5705-02-00-00	Monthly Car Allowance	700	1,158	(458)	165.4%
12-6500-02-00-00	IT Allocations in to PC's & Depts.	5,181	11,930	(6,749)	230.3%
	Total Other Expenses	48,459	23,695	24,764	48.9%
	Total Expenses	88,769	104,348	(15,579)	117.5%

South Orange County Wastewater Authority

Exhibit B-1.2

Preliminary O&M Budget vs. Actual Comparison by PC[1]

For the Period Ended June 30, 2026
(in dollars)

		FY 2025-26 Budget	Actual	(Over)/Under Budget	% Expended	
15 - Coastal Treatment Plant						
Salary and Fringe						
15-5000-**-**-**	Regular Salaries-O&M	1,174,166	1,075,994	98,172	91.6%	
15-5001-**-**-**	Overtime Salaries-O&M	14,223	11,212	3,011	78.8%	(1)
15-5306-**-**-**	Scheduled Holiday Work	12,602	3,856	8,746	30.6%	
15-5304-**-**-**	Severance Pay	-	22,850	(22,850)	N/A	
15-5315-**-**-**	Comp Time - O&M	2,120	13,705	(11,585)	646.5%	(1)
15-5401-**-**-**	Fringe Benefits IN to PC's & Depts.	592,346	582,201	10,145	98.3%	
15-5700-**-**-**	Standby Pay	12,000	9,000	3,000	75.0%	
	Total Payroll Costs	1,807,457	1,718,818	88,639	95.1%	
Other Expenses						
15-5002-**-**-**	Electricity	310,000	376,384	(66,384)	121.4%	(2)
15-5003-**-**-**	Natural Gas	3,500	1,538	1,962	43.9%	
15-5004-**-**-**	Potable & Reclaimed Water	24,000	27,255	(3,255)	113.6%	
15-5006-**-**-**	Chlorine/Sodium Hypochlorite	117,500	145,898	(28,398)	124.2%	(3)
15-5008-**-**-**	Ferric Chloride	300,000	158,354	141,646	52.8%	
15-5009-**-**-**	Odor Control Chemicals	70,000	44,282	25,718	63.3%	
15-5010-**-**-**	Small Purchases and Consumables	56,500	74,539	(18,039)	131.9%	(4)
15-5011-**-**-**	Laboratory Services	16,000	19,202	(3,202)	120.0%	(5)
15-5012-**-**-**	Grit Hauling	22,000	26,565	(4,565)	120.7%	
15-5015-**-**-**	Management Support Services	27,500	42,438	(14,938)	154.3%	(6)
15-5016-**-**-**	Audit - Environmental	500	-	500	0.0%	
15-5017-**-**-**	Legal Fees	5,000	-	5,000	0.0%	
15-5019-**-**-**	Contract Services Misc.	221,500	204,302	17,198	92.2%	
15-5027-**-**-**	Insurance - Property/Liability	159,272	101,544	57,728	63.8%	
15-5030-**-**-**	Trash Disposal	3,000	9,578	(6,578)	319.3%	(4)(7)
15-5033-**-**-**	Recruitment	-	118	(118)	N/A	
15-5034-**-**-**	Memberships, Conferences, Training & Travel	78,625	48,267	30,358	61.4%	
15-5036-**-**-**	Laboratory Supplies	23,000	34,349	(11,349)	149.3%	(5)
15-5037-**-**-**	Office Equipment	3,000	617	2,383	20.6%	
15-5038-**-**-**	Permits	3,450	9,552	(6,102)	276.9%	
15-5047-**-**-**	Access Road Expenses	45,000	1,871	43,129	4.2%	
15-5048-**-**-**	Storm Damage	20,000	-	20,000	0.0%	
15-5049-**-**-**	Biosolids Disposal	-	1,019	(1,019)	N/A	
15-5054-**-**-**	Diesel Truck Maint	1,500	4,484	(2,984)	298.9%	
15-5057-**-**-**	Maintenance Equip. & Facilities (Liquids)	100,000	124,147	(24,147)	124.1%	(4)
15-5058-**-**-**	Maintenance Equip. & Facilities (Common)	24,000	20,160	3,840	84.0%	
15-5060-**-**-**	Maintenance Equip. & Facilities (AWT)	30,000	51,672	(21,672)	172.2%	(8)
15-5076-**-**-**	SCADA Infrastructure	110,000	38,995	71,005	35.5%	
15-5101-**-**-**	Employee Recognition	300	100	200	33.3%	
15-5705-**-**-**	Monthly Car Allowance	10,000	5,912	4,088	59.1%	
15-5777-**-**-**	Laboratory Lease	3,000	3,000	-	100.0%	
15-6500-**-**-**	IT Allocations in to PC's & Depts.	226,914	245,703	(18,789)	108.3%	
	Total Other Expenses	2,015,061	1,821,842	193,219	90.4%	
	Total Expenses	3,822,518	3,540,661	281,857	92.6%	

South Orange County Wastewater Authority

Exhibit B-1.2

Preliminary O&M Budget vs. Actual Comparison by PC[1]

For the Period Ended June 30, 2026

(in dollars)

		FY 2025-26 Budget	Actual	(Over)/Under Budget	% Expended	
17 - Joint Regional Wastewater Reclamation and Sludge Handling						
Salary and Fringe						
17-5000-**-**-**	Regular Salaries-O&M	264,922	275,197	(10,275)	103.9%	
17-5001-**-**-**	Overtime Salaries-O&M	530	1,639	(1,109)	309.3%	(16)
17-5306-**-**-**	Scheduled Holiday Work	3,180	3,105	75	97.6%	
17-5315-**-**-**	Comp Time - O&M	1,272	957	315	75.2%	
17-5401-**-**-**	Fringe Benefits IN to PC's & Depts.	133,769	148,904	(15,135)	111.3%	
	Total Payroll Costs	403,673	429,802	(26,129)	106.5%	
Other Expenses						
17-5010-**-**-**	Small Purchases and Consumables	1,500	9,770	(8,270)	651.3%	
17-5011-**-**-**	Laboratory Services	30,000	38,175	(8,175)	127.2%	(17)
17-5015-02-00-00	Management Support Services	-	12,201	(12,201)	N/A	
17-5016-**-**-**	Audit - Environmental	500	-	1,000	0.0%	
17-5019-**-**-**	Contract Services Misc.	-	30,347	(30,347)	N/A	
17-5027-**-**-**	Insurance - Property/Liability	-	38,989	(38,989)	N/A	
17-5030-01-00-00	Trash Disposal	-	20	(20)	N/A	
17-5034-**-**-**	Memberships, Conferences, Training & Travel	5,000	2,430	2,570	48.6%	
17-5036-**-**-**	Laboratory Supplies	31,000	52,640	(21,640)	169.8%	(8)
17-5056-01-00-00	Maintenance Equip. & Facilities (Solids)	-	482	(482)	N/A	
17-5058-01-00-00	Maintenance Equip. & Facilities (Common)	-	1,284	(1,284)	N/A	
17-5059-01-00-00	Maintenance Equip. & Facilities (Co-Gen)	-	59	(59)	N/A	
17-5068-**-**-**	MNWD Potable Water Supplies & Svcs.	41,000	43,741	(2,741)	106.7%	
17-5303-**-**-**	Group Insurance Waiver	3,600	-	3,600	0.0%	
17-5705-**-**-**	Monthly Car Allowance	700	512	188	73.1%	
17-6500-**-**-**	IT Allocations in to PC's & Depts.	51,244	62,841	(11,597)	122.6%	
	Total Other Expenses	164,544	293,491	(128,447)	177.8%	
	Total Expenses	568,217	723,293	(154,576)	127.2%	
21 - Effluent Transmission Main						
Salary and Fringe						
21-5000-**-**-**	Regular Salaries-O&M	7,060	-	7,060	0.0%	
21-5401-**-**-**	Fringe Benefits IN to PC's & Depts.	3,565	-	3,565	0.0%	
	Total Payroll Costs	10,625	-	10,625	0.0%	
Other Expenses						
21-5027-**-**-**	Insurance - Property/Liability	16,964	9,438			
	Total Other Expenses	16,964	9,438	7,526	55.6%	
	Total Expenses	27,589	9,438	18,151	34.2%	
23 - North Coast Interceptor						
Salary and Fringe						
23-5000-**-**-**	Regular Salaries-O&M	5,000	-	5,000	0.0%	
23-5401-**-**-**	Fringe Benefits IN to PC's & Depts.	2,525	-	2,525	0.0%	
	Total Payroll Costs	7,525	-	7,525	0.0%	
Other Expenses						
23-5015-01-00-00	Management Support Services	-	1,500	(1,500)	N/A	
23-5027-**-**-**	Insurance - Property/Liability	9,975	5,550	4,425	55.6%	
	Total Other Expenses	9,975	7,050	2,925	70.7%	
	Total Expenses	17,500	7,050	10,450	40.3%	

South Orange County Wastewater Authority

Exhibit B-1.2

Preliminary O&M Budget vs. Actual Comparison by PC[1]

For the Period Ended June 30, 2026
(in dollars)

		FY 2025-26 Budget	Actual	(Over)/Under Budget	% Expended	
24 - Aliso Creek Ocean Outfall						
Salary and Fringe						
24-5000-**-**-**	Regular Salaries-O&M	71,654	68,413	3,241	95.5%	
24-5001-**-**-**	Overtime Salaries-O&M	518	663	(145)	128.0%	(13)
24-5315-**-**-**	Comp Time - O&M	-	292	(292)	N/A	
24-5401-**-**-**	Fringe Benefits IN to PC's & Depts.	36,181	37,017	(836)	102.3%	
	Total Payroll Costs	108,353	106,385	1,968	98.2%	
Other Expenses						
24-5015-**-**-**	Management Support Services	150,000	131,985	18,015	88.0%	
24-5016-**-**-**	Audit - Environmental	500	-	500	0.0%	
24-5027-**-**-**	Insurance - Property/Liability	78,336	47,633	30,703	60.8%	
24-5034-**-**-**	Travel Expense/Tech. Conferences	7,345	6,502	843	88.5%	
24-5036-**-**-**	Laboratory Supplies	27,592	34,164	(6,572)	123.8%	(8)
24-5038-**-**-**	Permits	328,900	250,598	78,302	76.2%	
24-5044-**-**-**	Offshore Monitoring	50,000	62,529	(12,529)	125.1%	(14)
24-5045-**-**-**	Offshore Biochemistry - 20B	11,000	12,416	(1,416)	112.9%	(15)
24-5046-**-**-**	Effluent Chemistry	23,880	23,843	37	99.8%	
24-5047-**-**-**	Access Road Expenses	3,000	-	3,000	0.0%	
24-5058-**-**-**	Maintenance Equip. & Facilities (Common) 41-C	1,000	-	1,000	0.0%	
24-5705-**-**-**	Monthly Car Allowance	700	512	188	73.1%	
24-5777-**-**-**	Laboratory Lease	3,000	3,000	-	100.0%	
24-6500-**-**-**	IT Allocations in to PC's & Depts.	13,860	15,622	(1,762)	112.7%	
	Total Other Expenses	699,113	588,803	110,310	84.2%	
	Total Expenses	807,466	695,188	112,278	86.1%	
	Total O&M Expenses	**15,182,386**	**14,684,541**	**498,345**	**96.7%**	

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

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

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

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

Exhibit B-1.2

South Orange County Wastewater Authority
Preliminary O&M Budget vs. Actual Comparison by PC
For the Period Ended June 30, 2026

(1) Overtime and comp time are budgeted jointly.

(2) Additional standby shifts were required due to senior staff vacancies.

(3) Power costs elevated due to 60k cogeneration startup issues.

(4) Gas purchases reduced due to 60k cogeneration startup issues.

(5) Usage is elevated due to the septicity of the sewage entering plants that started this FY and discussed at past meetings.

(6) Several opportunistic internal inspections were performed by O&M while Plant 2 was offline for a large CIP project.

(7) The landfill increased the tipping fees by nearly double.

(8) Lab Supplies elevated due to increasing cost for products

(9) A number of SCAQMD permit modifications were submitted for operational and regulatory update needs.

(10) Additional and opportunistic repairs were performed while Plant 2 was offline for a large CIP project.

(11) Additional carbon media swaps were required above expected levels.

(12) Extensive roof repairs due to termite damage at the stormwater pumping station was required and billed to South Cove.

(13) Overtime elevated due to NPDES permit cycle required offshore monitoring

(14) Elevated due to NPDES permit cycle required offshore monitoring

(15) Offshore Biochemisrty is elevated due to molecular lab supplies

(16) Overtime elevated due to spill sampling and associated lab testing

(17) Lab Services is elevated due to Verily payment in August 2025

Exhibit B-3

South Orange County Wastewater Authority
Preliminary Budget vs. Actual Comparison- Administration
For the Period Ended June 30, 2026
(in dollars)

		FY 2025-26 Budget	Actual	(Over)/Under Budget	% Expended
01-5000-04-00-00	Regular Salaries-ADMIN	773,482	761,553	11,929	98.5%
01-5001-04-00-00	Overtime Salaries-O&M	530	972	(442)	183.4%
01-5315-04-00-00	Comp Time - O&M	1,060	246	814	23.2%
01-5401-04-00-00	Fringe Benefits IN to PC's & Depts.	390,561	412,063	(21,502)	105.5%
01-6318-04-00-00	Severance & Termination Costs	-	15,376	(15,376)	N/A
	Total Payroll Costs	2,331,266	1,190,210	(24,577)	102.1%
Other Expenses					
01-5010-04-00-00	Small Purchases and Consumables	26,000	23,785	2,215	91.5%
01-5015-04-00-00	Management Support Services	150,000	76,760	73,240	51.2%
01-5016-04-00-00	Audit	45,000	42,450	2,550	94.3%
01-5017-04-00-00	Legal Fees	100,000	98,985	1,015	99.0%
01-5018-04-00-00	Public Notices/ Public Relations	-	16,000	(16,000)	N/A
01-5019-04-00-00	Contract Services Misc. - 29	9,709	11,041	(1,332)	113.7%
01-5034-04-00-00	Memberships & Trainings	121,000	117,714	3,286	97.3%
01-5037-04-00-00	Office Equipment	1,000	2,662	(1,662)	266.2%
01-5074-04-00-00	Education Reimbursement	1,000	-	1,000	0.0%
01-5079-04-00-00	Scholarship Reimbursement	1,000	1,000	0	100.0%
01-5101-04-00-00	Employee Recognition	26,050	25,829	221	99.2%
01-5705-04-00-00	Monthly Car Allowance	16,200	16,592	(392)	102.4%
01-6500-04-00-00	IT Allocations in to PC's & Depts.	138,922	166,680	(27,758)	120.0%
	Total Other Expenses	635,881	599,499	36,382	94.3%
	Total Admin Expenses	**2,967,147**	**1,789,709**	**11,805**	**99.3%**

Exhibit B-4

South Orange County Wastewater Authority
Preliminary Budget vs. Actual Comparison-IT
For the Period Ended June 30, 2026
(in dollars)

		FY 2025-26 Budget	Actual	(Over)/Under Budget	% Expended
Salary & Fringe					
01-5000-05-00-00	Regular Salaries-IT	151,848	160,756	(8,908)	105.9%
01-5401-05-00-00	Fringe Benefits IN to PC's & Depts.	76,674	86,982	(10,308)	113.4%
	Total Salary & Fringe	228,522	247,738	(19,216)	108.4%
Other Expenses					
01-5010-05-00-00	Small Tools & Supplies	4,000	783	3,217	19.6%
01-5015-05-00-00	Training Expense	150,000	144,622	5,378	96.4%
01-5034-05-00-00	Recruitment & Employee Relations, IT DEPT	7,025	6,262	763	0.0%
01-5076-05-00-00	Memberships & Trainings	303,831	288,348	15,483	94.9%
01-5078-05-00-00	Travel & Conference	145,382	196,191	(50,809)	0.0%
01-5309-05-00-00	Software Maintenance Agreements	56,000	61,209	(5,209)	109.3%
01-5705-05-00-00	Hardware Maintenance Agreements	4,200	3,877	323	92.3%
	Total Other Expenses	670,438	701,292	(30,854)	104.6%
	Total Expenses before Allocation	**898,960**	**949,030**	**(50,070)**	**105.6%**

Agenda Item 7

Finance Committee Meeting

Meeting Date: September 15, 2026

TO: Finance Committee

FROM: Amber Boone, General Manager

SUBJECT: Use Audit Flows and Solids FY 25-26

Summary

The Use Audit flow allocation methodology has relied on historical practice for allocation of costs. This agenda item reviews the methodology per project committee (PC), which is presented to the Engineering Committee and SOCWA Board members on an annual basis for review, comment, and use in the annual Use Audit for FY 25-26.

Results

Captured herein are the methodologies employed and the results by member agency based on the raw and calculated data, which have been distributed to Engineering Committee members for review and comment. Please note that PC 5 and PC 24 are attributed to fixed costs.

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 by 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.

Summary results for PC2 are included in Table 1. The total sum of the metered flows on the line influent into the JB Latham facility was 9.82 mgd. The percentage difference between metered and billing flows was 13.6%.

Table 1: PC2 Liquids and Solids Summary Table

PC2 - JB Latham Plant

Liquids Summary (mgd)

Member Agency	2025-2026 Budgeted Flow (mgd)	2025-2026 Budgeted Percent	2025-2026 Total Avg. Flow (mgd)	Total Percent To Date
MNWD	3.00	23.08 %	1.04	10.58 %
SCWD	3.75	28.85 %	1.57	15.99 %
SMWD	6.25	48.08 %	7.21	73.43 %
	13.00	100.00 %	9.82	100.00 %

Solids Summary Loading (mgd)

Member Agency	2025-2026 Budgeted (mgd) Flow	2025-2026 Budgeted (%) Percent	Total Avg. Loadings FY 2025-2026	Total Percent To Date
MNWD	8340	21.62 %	3502.209	15.22 %
SCWD	7715	20.00 %	2931.96	10.56 %
SMWD	22518	58.38 %	23220.34	49.53 %
	38573	100.0 %	29654.52	100.00 %

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 Rosenbaum 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). Summary results for PC2 are included in Table 2.

Table 2: PC12 Liquids Summary Table

PC 12 Recycled Water

Master Recycled Water Permit 2025-2026		
Member Agency	**Region 9 Recyled Production FY 2025-2026 acft**	**% RW Produced FY 2025-2026 %**
CSJC	782.00	5.81
MNWD	5481.00	40.72
SCWD	681.00	5.06
SMWD	6095.00	45.29
TCWD	419.00	3.12
Total	13459.00	100.00

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. 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 the monthly meter reads 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. Summary results for PC15 are included in Table 3.

Table 3: PC15 Liquids and Solids Summary Table

PC 15 Actual Flows

FY 2025-2026 Coastal Treatment Plant		
Member Agency	**Plant Flows MGD**	**Plant Flow Percent**
CLB	1.32	53.01
EBSD	.09	3.79
SCWD	1.08	43.20
MNWD	.00	.00
Total	2.49	100.00

Recommended Action: Information Item

Agenda Item 8

Finance Committee Meeting	
Legal Counsel Review: No	
Meeting Date: September 15, 2026	

TO: Finance Committee

FROM: Amber Boone, General Manager

SUBJECT: Quarterly Investment Reporting Under Government Code Section 53646

Summary

At the May 20, 2025, Finance Committee meeting, the Committee asked SOCWA staff to produce quarterly reports of investments applicable to SOCWA as a Joint Powers Authority (JPA) under California Government Code Section 53646. Given SOCWA's current investment in the Local Agency Investment Fund (LAIF), certain simplified reporting provisions apply that reduce our administrative burden while maintaining optional compliance with state law.

Background

California Government Code Section 53646 established quarterly investment reporting requirements for all local agencies, including Joint Powers Authorities. These requirements are designed to ensure transparency, accountability, and proper oversight of public investment activities. SOCWA currently maintains investments in the California Local Agency Investment Fund (LAIF), which is administered by the State Treasurer's Office. LAIF is specifically created under Government Code Section 16429.1 and provides a pooled investment option for California public agencies.

At the May 20, 2025, Finance Committee Meeting, the Committee requested the General Manager to complete the following:

1. **At Least Quarterly:** Distribute the most recent LAIF quarterly statement(s) to:
   - Finance Committee, and/or
   - Board of Directors
2. **Include with LAIF statements:**
   - Brief staff memo confirming compliance with investment policy
   - Statement regarding liquidity and ability to meet six-month expenditure requirements
   - Any additional information requested by the Board

Reportable Action

Attached are the LAIF statements ending Q2 2026. No other investments were made outside of LAIF, in compliance with the Investment Policy. All expenses were met, concluding June 30, 2026, with ample liquidity to meet the Authority's expenses.

Recommended Action: Information Item

Attachment: LAIF Statements for Q2 2026

MALIA M. COHEN

California State Controller

LOCAL AGENCY INVESTMENT FUND
REMITTANCE ADVICE

Agency Name	SO ORANGE CO WSTWTR AUTH
Account Number	

As of 7/15/2026, your Local Agency Investment Fund account has been directly credited with the interest earned on your deposits for the quarter ending 6/30/2026.

Earnings Ratio		0.00010743238142967
Interest Rate		3.92%
Dollar Day Total	$	1,601,593,407.38
Quarter End Principal Balance	$	17,357,928.76
Quarterly Interest Earned	$	172,062.99

Agenda Item	9

Finance Committee Meeting
Meeting Date: September 15, 2026

TO: Finance Committee

FROM: Amber Boone, General Manager

SUBJECT: Capital Asset Lifecycle Program

Summary

At the August 20, 2026 Engineering Committee, staff indicated in the General Manager's report that staff is working on ways to improve the tracking of project expenses and is developing a project lifecycle procedure to help in overall management of the program and oversight by the SOCWA Board. These efforts aim to integrate the capital program project budget into the Financial System for tracking and cash flow management to better support staff oversight and management of capital projects. Staff also indicated that they would bring a draft capital asset lifecycle program back to the Committee for discussion. The attachment contains the draft program incorporating peer agency best practices from Encina Wastewater Authority, South Coast Water District, Irvine Ranch Water District, and Santa Margarita Water District.

Recommended Action: Committee Discussion, Direction, and Action

Attachment: Draft Capital Asset Lifecycle Program

SOUTH ORANGE COUNTY WASTEWATER AUTHORITY

CAPITAL ASSET LIFECYCLE PROGRAM

Cradle-to-Grave Management of Public Works Capital Assets

Capital Improvement Program (CIP)
10-Year Plan • Annual Budget Integration
Financial & Governance Framework • Standard Operating Procedures
Including Formal Board Acceptance of Notices of Completion & Release of Retention/Escrow

DRAFT

TABLE OF CONTENTS

1. Purpose and Scope

This Capital Asset Lifecycle Program establishes a consistent, transparent, and accountable framework for managing SOCWA's public-works capital assets from identification of need through planning, design, procurement, construction, operation, maintenance, capitalization, formal Board acceptance, and eventual retirement or replacement ("cradle to grave").

The Program applies to all capital projects funded through the Capital Improvement Plan (CIP), including:

- Large Capital projects (multi-year facility upgrades and major replacements)
- Small Capital projects and equipment
- Non-capital studies and assessments that may lead to capital construction
- Projects executed under any Project Committee (PC) agreement

Version 2.0 incorporates regional best practices observed at Encina Wastewater Authority (a comparable Joint Powers Authority with a mature Comprehensive Asset Management Plan and formal Board final-acceptance process), as well as the published capital-project lifecycle practices of SOCWA Member Agencies South Coast Water District, El Toro Water District, Irvine Ranch Water District, Moulton Niguel Water District, and Santa Margarita Water District. Particular emphasis is placed on governing-board authorization of Notices of Completion and the subsequent release of retention or escrow funds—practices that provide clear accountability, protect public funds, and satisfy California Public Contract Code and Civil Code requirements.

The Program is designed to align with the FY 2026-27 Annual Budget structure, the SOCWA Joint Powers Agreement (particularly Sections 6.2 and 6.3 regarding cost allocation), the Uniform Purchasing Policy, and the Capitalization & Depreciation Policy.

2. Governance Framework

2.1 Organizational Roles

Board of Directors – Ultimate authority for adoption of the annual O&M and CIP budgets, approval of contracts above delegated limits, policy adoption, and—critically—formal acceptance of completed capital projects via authorization to file a Notice of Completion and release of retention or escrow funds. Votes on CIP and O&M budgets are taken by Project Committee in accordance with JPA Section 6.3. This mirrors the practice at Encina Wastewater Authority (Board final acceptance of major projects) and the routine Board actions at SCWD, IRWD, and SMWD.

Engineering Committee (or Engineering & Operations Committee) – Primary review body for the capital portion of the budget, project prioritization, scope changes, progress reports, and recommendations for Board acceptance of completed work. Peer agencies (SCWD Engineering & Operations, SMWD Engineering/Operations, ETWD Engineering/FIC, IRWD Engineering & Operations) consistently route NOC and retention-release items through committee before full Board action.

Finance Committee – Reviews overall budget affordability, cash-flow requests, interfund transfers, UAL/OPEB impacts, and multi-year funding strategy. Aligns with ETWD and SMWD practice of Finance Committee oversight of capital reserves and fund transfers.

Project Committees (PCs) – Facility- or system-specific governing bodies (e.g., PC 2 – J.B. Latham Treatment Plant, PC 15 – Coastal Treatment Plant, PC 5 – San Juan Creek Ocean Outfall, PC 24 – Aliso Creek Ocean Outfall, PC 21 – Effluent Transmission Main). Participating Member Agencies approve PC-specific budgets, capital requests, and, where appropriate, project acceptance actions.

Staff Roles – Capital Improvement Program Manager leads project delivery, closeout documentation, and reporting; Deputy General Manager / Chief Engineer provides technical oversight and recommends acceptance; Finance/Accounting manages cash requests, interfund accounting, capitalization, and retention release; Procurement/Contracts Administrator administers solicitations and contract closeout.

2.2 Cost Allocation Principles (JPA § 6.3.1)

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." O&M costs are allocated primarily by actual use (or contractual formulas). Any change to the CIP cost-allocation methodology requires unanimous consent of all Participating Member Agencies. This capacity-based approach is consistent with the joint-facility cost-sharing used by Encina and the SOCWA-related capital line items carried in SCWD, MNWD, SMWD, and ETWD budgets.

2.3 Alignment with Peer Governance Practices

SOCWA's Project Committee structure is analogous to Encina's member-agency Board representation. Member and Participating Agencies themselves (SCWD, ETWD, IRWD, MNWD, SMWD) maintain robust Board-level oversight of capital closeout. The Program therefore establishes as SOCWA policy that final project acceptance, Notice of Completion, and retention/escrow release are formal Board (or Project Committee, as applicable) actions that provide enhanced governance oversight, accountability, and transparency.

2.4 Approval Authority Matrix

Action	Engineering Committee	Finance Committee	Project Committee (PC)	Board
CIP Prioritization	Review		Review	Approve
Annual CIP Budget	Recommend	Review	Review	Approve
Budget Amendments	Review	Review	Review	Approve

Contract Award (within delegated authority)	Review		As Required	GM/Board
Notice of Completion	Review		Recommend	Approve
Retention/Escrow Release with Contractor Waiver and Release from Liens	Review		Recommend	Approve
Project Closeout	Review		Recommend	Approve
Capitalization	Inform	Inform		Inform

3. Project Selection for the 10-Year CIP and Annual Budget

Projects enter the CIP through a structured, multi-year planning process that balances regulatory compliance, asset condition, operational reliability, capacity needs, and affordability for Member Agencies. The process draws on the formal asset-management frameworks used by Encina (E-CAMP), IRWD (CIP Asset Management risk model), ETWD (Asset Management Program + Master Plan), and the Infrastructure Master Plans of SCWD and SMWD.

3.1 Sources of Project Identification

- Facility Planning Assessments (FPAs) and Master Plans (e.g., CTP and JBL FPAs)
- Condition assessments, inspections, and risk rankings (Likelihood of Failure × Consequence of Failure, as practiced at IRWD and ETWD)
- Regulatory drivers (NPDES, AQMD, biosolids, PFAS, nutrient limits, etc.)
- Operational staff recommendations and near-miss / reliability issues / efficiencies / optimizations
- Regional flow studies and capacity analyses
- Member Agency requests coordinated through the relevant Project Committee
- Technology refresh cycles (SCADA, servers, network, lab equipment, obsolescence)
- Encina-style multi-criteria scoring (Safety, Regulatory Compliance, Reliability, Public/Agency Impacts, Energy, Organizational Efficiency)

3.2 Prioritization Criteria

Projects are ranked and scheduled using the following factors (aligned with Encina E-CAMP and IRWD risk-based models):

Safety & Regulatory Compliance: Immediate health/safety risks or permit-driven deadlines

Asset Criticality & Condition: Consequence of failure × probability/likelihood of failure

Operational Reliability: Impact on treatment capacity, energy, or chemical use

Lifecycle Cost Efficiency: Avoidance of higher future costs through timely intervention

Regional / Inter-Agency Coordination: Alignment with Member Agency capital programs

Funding Affordability & Cash Flow: Available reserves, cash-on-hand, and rate impacts

Constructability & Lead Times: Permitting complexity, long-lead equipment, site constraints

3.3 Development of the 10-Year CIP

Annually, Engineering staff update the Ten-Year Capital Improvement Plan tables (see Appendix A of the FY 2026-27 Budget Book). Each project is assigned a unique Project ID, category (Liquids / Solids / Common / AWT / Outfall), total estimated budget, expenditures to date, remaining budget, and cash-request phasing by fiscal year. In the FY 2026-27 cycle, the proposed CIP cash request was refined from an earlier estimate of approximately $12.3 million down to $8.45 million after staff reviewed internal resource capacity, cash on hand, and realistic project schedules. The multi-year CIP horizon exceeds $160–170 million. This multi-year horizon and member-agency communication approach is consistent with Encina's E-CAMP and the published multi-year CIP budgets of SMWD, IRWD, and SCWD.

3.4 Annual Budget Integration

1. Engineering Committee reviews draft CIP list and multi-year cash-flow projections.

2. Finance Committee evaluates overall affordability and Member Agency impacts.

3. Project Committee Boards review and recommend PC-specific capital requests.

4. Full Board adopts the combined O&M + CIP budget (with accompanying CIP billing and spending plan) (typically in May/June).

5. Approved CIP projects are authorized for expenditure within the adopted cash request; any increase beyond contingency requires Board (or PC) action.

4. Financial Management & Interfund Transfers

4.1 Fund Structure

SOCWA maintains distinct accounting for Operations & Maintenance (by PC and Department), Administration / General Fund, UAL & OPEB obligations, Laboratory Services, and Capital project funds. Large Capital projects typically accumulate cash advances from Participating Member Agencies; expenditures are drawn against those balances. Peer practice (Encina restricted capital contributions with carryforward of appropriations; ETWD Capital Improvement Reserve and Board-authorized fund transfers within the Capital Budget; SMWD and MNWD multi-fund CIP tracking) reinforces the need for clear segregation and transparent reporting of capital cash movements.

4.2 Interfund Transfers & Transparency

Interfund activity occurs for fringe-benefit pool charges, IT allocations, administrative overhead, changes in project needs within PCs, and transfers of staff time charged to capital projects. All such transfers are documented in the budget book and monthly financial reports.

Transparency requirements:

- Every capital cash request appears in the annual Budget Book by Project Committee and Member Agency.
- Monthly or quarterly Capital Improvement Program Workplan / Progress Reports are presented to the Engineering Committee and Board, showing funds collected, funds spent, remaining balance, percent complete, and schedule status (consistent with IRWD, ETWD, and SCWD project-status reporting).
- Updates to quarterly billings amounts, based on actual project process, are communicated to the Member Agencies finance staff, reported in the annual audit/use audit, and reported in the annual Budget Book for continuing projects.
- Change-order reports are provided for active construction contracts.
- Any proposed interfund transfer that affects PC cost shares is disclosed to the relevant Project Committee and, where required, the full Board (aligning with ETWD Administrative Code practice) and reported in the annual Budget Book
- Unbudgeted capital expenditures ≥ $100,000 require Board approval. Budget amendments shall identify the funding source, effect on project contingency, impacts to participating member agencies, and any changes to the approved CIP cash request.
- Final project acceptance, Notice of Completion, and retention/escrow release are Board (or PC Board) actions reported in the public record.

4.3 Cash-Flow Management

Staff monitor cash-on-hand for each large capital project. When existing funds are sufficient, new cash requests may be reduced or deferred (as occurred in the FY 2026-27 budget process). Multi-year projects are phased so that design, long-lead procurement, and construction cash needs are synchronized with Member Agency rate cycles.

5. Project Budget Composition

A complete capital project budget must capture every cost category necessary to deliver the asset ready for beneficial use. Under SOCWA's Capitalization Policy, the full cost of a construction project (upon completion and start-up) is capitalized and includes, but is not limited to, the categories shown below. Peer agencies (SCWD, IRWD, SMWD, ETWD, MNWD) likewise include design, construction management, staff charges, legal, and contingency in project budgets reported to their Boards.

Cost Category	Typical Inclusions / Notes
Planning & Studies	Facility planning assessments, condition assessments, feasibility studies, environmental review (CEQA/NEPA), hydraulic analyses. Studies expected to lead to construction within ~6 months are capitalized; otherwise expensed.
Design (Professional Services)	Preliminary design, final design, specifications, cost estimating, design-phase CM support. Procured via RFP/RFQ.
Permitting & Regulatory	AQMD, Coastal Commission, RWQCB, building permits, environmental mitigation.
Pre-Purchase / Long-Lead Equipment	MCC, generators, specialized process equipment, SCADA hardware. Ordered early under Board authorization to expedite schedule.
Construction Contract	Bid award amount for public-works construction (lowest responsive & responsible bidder or best-value as allowed).
Construction Management (CM)	In-house staff charges and/or external CM consultant; inspection, schedule control, RFI/submittal management.
Staff Charges (SOCWA Labor)	Engineering, operations, safety, and administrative time charged directly to the project (with fringe).
Legal & Administrative	Contract review, claims support, right-of-way, title, insurance-related costs.
Contingency	Typically 5–10 % of construction (or higher for complex/rehab work). Released only with proper change-order documentation.
Owner-Furnished Materials / Other	Any materials supplied by SOCWA, temporary facilities, startup chemicals, training.
Close-out & Commissioning	As-built documentation, O&M manuals, training, performance testing, punch-list completion, Notice of Completion preparation.

Project budgets are tracked by Project ID in the Large Capital Projects tables of the Budget Book. Remaining budget, expenditures to date, and future-year phasing are updated at least annually.

6. Standard Operating Procedures

6.1 CIP Budgeting SOP

Purpose: Ensure consistent, transparent development and Board adoption of the annual CIP cash request and multi-year plan.

Procedure:

Step 1: By January–February, CIP Manager and Engineering compile updated project list from condition assessments, FPAs, regulatory calendars, and staff input (incorporating risk-based prioritization consistent with Encina E-CAMP and IRWD/ETWD models).

Step 2: Estimate total project costs and multi-year cash-flow needs; identify long-lead items requiring pre-purchase authorization; update all project budgets for annual inflation (All project budgets are presented in current year dollars. Multi-year projects may include an annual inflation adjustment for future year dollars during the span of the project.)

Step 3: Reconcile proposed cash requests against available capital reserves and Member Agency feedback.

Step 4: Present draft CIP tables and cash-request summary to Engineering Committee (typically March–April), including allocations by Project, PC, and Member Agency.

Step 5: Incorporate Committee direction; prepare Finance Committee packet showing Member Agency impacts and total O&M + CIP request.

Step 6: Project Committee meetings review and recommend PC-specific capital budgets and proposed quarterly billings.

Step 7: Board of Directors adopts the combined budget (typically May). CIP cash requests become authorized expenditure authority.

Step 8: Throughout the year, CIP Manager maintains the CIP Workplan, tracks expenditures vs. budget, and reports progress and change orders monthly/quarterly.

Step 9: Mid-year or as needed, request budget amendments for scope changes or unforeseen conditions via the appropriate Committee and Board.

Step 10: Projects shall be reassessed annually using established risk and asset-condition criteria to confirm priority, timing, and funding requirements.

6.2 Bid Procedure Checklist (Public Works & Goods)

This checklist implements the SOCWA Uniform Purchasing Policy and Purchasing Guidelines. Thresholds (approximate; always confirm current policy):

Value	Method	Minimum Requirements
≤ $25,000	Open Market / Informal	Reasonable effort; one written quote preferred
$25,001 – $100,000	Informal Quotes	Minimum three written quotes if practicable
> $100,000 (Goods / Non-Prof. / Public Works)	Formal Competitive	Sealed IFB / RFB; public notice ≥ 10 days
> $100,000 (Professional Services)	Formal RFP / RFQ	Qualifications + Best Value; negotiate top-ranked

Pre-Solicitation Checklist:

- Confirm project is in adopted CIP / budget (or obtain amendment authorization).
- Confirm funding source and account coding; obtain Finance concurrence.

- Determine procurement method (IFB for construction, RFP for design/CM, RFQ for qualifications-based).
- Prepare or update technical specifications / scope of work / drawings.
- Identify insurance, bonding, prevailing-wage, and any special requirements.
- Determine whether pre-qualification of bidders is appropriate (Public Contract Code § 20101).
- Decide if long-lead equipment will be pre-purchased (see 6.3).
- Obtain General Manager (or designee) approval of solicitation documents for formal procurements.
- Register solicitation on PlanetBids; publish public notice as required, or identify sole/single source purchases in the staff report(s) to the Board.

Solicitation & Award Checklist:

- Issue solicitation with clear bid opening date/time/place (or electronic deadline).
- Hold pre-bid / pre-proposal conference if warranted (mandatory or optional).
- Issue addenda as needed; post on PlanetBids.
- Receive sealed bids / proposals; reject late submissions.
- Publicly open bids (for IFB); tabulate results; post initial results.
- Evaluate responsiveness and responsibility (or Best Value / qualifications ranking for RFP).
- Conduct discussions / Best and Final Offers if provided for in the RFP.
- Prepare staff recommendation (award, reject all, or negotiate).
- Obtain required approvals (GM for delegated authority; Board/PC for larger awards).
- Issue Notice of Award and Notice to Proceed; execute contract; collect bonds, insurance certificates, and other required documents identified in the contract documents.
- Maintain complete Contract File.

Note: Design-Build is authorized under Public Contract Code § 22160 et seq. when appropriate. Cooperative / piggyback contracts may be used when economically advantageous and the original solicitation was competitive. Escrow agreements in lieu of retention may be used pursuant to Public Contract Code § 22300 (as practiced at IRWD and other peers).

6.3 Pre-Purchase of Long-Lead Items

Certain equipment (Motor Control Centers, standby generators, specialized process equipment, major pumps, SCADA hardware) has lead times that can exceed 12–18 months. To protect project schedules, SOCWA routinely authorizes pre-purchase of such items ahead of the construction contract.

SOP for Pre-Purchase:

- Identify long-lead items during preliminary or final design; document critical path impact.
- Obtain independent cost estimate and technical specifications suitable for competitive procurement.
- Request Board (or PC) authorization for pre-purchase, including budget and contingency.
- Conduct competitive solicitation (or use cooperative contract if advantageous).
- Award and issue purchase order / contract; arrange storage, insurance, and delivery coordination with future construction contractor.

- Track pre-purchased items as project costs; transfer ownership/responsibility to the construction contractor via Owner-Furnished Equipment provisions when the construction contract is awarded.
- Report status of pre-purchase activities in the regular CIP Progress Reports.

Example (FY 2025-26 / 2026-27): Pre-purchasing of MCC-M and Plant 1 Standby Generator for the J.B. Latham Electrical System Upgrades was underway while design and permitting (AQMD) progressed, protecting the overall completion target.

6.4 Project Closeout, Notice of Completion & Retention Release SOP

Purpose: Establish a uniform, Board-accountable process for accepting completed capital work, recording a Notice of Completion (NOC), releasing retention or escrow funds, and transferring the asset into the capitalized inventory. This SOP adopts the regional standard practiced by Encina Wastewater Authority (governing Board final acceptance), South Coast Water District (Board authorization of NOC filing and Retention Fund release), Irvine Ranch Water District (Board acceptance + GM authorization to file NOC and pay retention 35 days after recording), Santa Margarita Water District (Board acceptance, NOC filing, and retention release within 60 days contingent on no claims/punch-list completion), and the formal acceptance/bond-release processes of Moulton Niguel Water District and El Toro Water District.

Closeout Sequence (required):

Step 1 – Substantial Completion / Beneficial Use: Contractor requests inspection. CIP Manager / Chief Engineer confirms that the Work (or designated portion) can be utilized for its intended purpose. A Certificate of Substantial Completion (or equivalent) is issued listing remaining punch-list items.

Step 2 – Punch List Completion & Final Inspection: All punch-list items are completed to the satisfaction of SOCWA. Final inspection is performed. As-built / record drawings, acceptance of spare parts, O&M manuals, warranties, training records, Contractor Waiver and Release from liens, and any other required certifications are submitted and accepted.

Step 3 – Staff Recommendation Package: CIP Manager prepares a staff report containing: project description and history; final cost summary (original budget, change orders, final contract amount, soft costs); confirmation that all contractual and statutory requirements have been met; recommendation that the Board (or PC Board) accept the work as complete; authorization for the General Manager to file a Notice of Completion with the Orange County Recorder; and authorization to release retention (or escrow funds) after the statutory waiting period, contingent on no stop notices or claims.

Step 4 – Committee Review: Engineering Committee (or Engineering & Operations Committee) reviews the closeout package and forwards a recommendation to the full Board or relevant Project Committee, consistent with peer practice at SCWD, SMWD, ETWD, and IRWD.

Step 5 – Board (or Project Committee) Action – Acceptance & NOC Authorization: The governing body formally accepts the construction as complete and authorizes the General Manager (or designee) to execute and record the Notice of Completion. This action is recorded in the official minutes and constitutes Final Acceptance for purposes of the Contract Documents and capitalization.

Step 6 – Recording of Notice of Completion: NOC is recorded with the Orange County Recorder. Recording starts the statutory period for mechanics' liens and stop notices (typically 30–60 days under Civil Code and Public Contract Code).

Step 7 – Retention / Escrow Release: After the statutory waiting period (commonly 35 days per IRWD practice or up to 60 days per SMWD practice) and confirmation that no claims, stop notices, or liens have been filed, the Board-authorized release of retention (or escrowed security under Public Contract Code § 22300) is processed. Final payment is made and the construction contract is closed.

Step 8 – Capitalization & Asset Transfer: Finance capitalizes the full project cost (studies + design + construction + CM + staff charges + legal + admin + contingency used) in accordance with the Capitalization Policy and transfers the asset into the fixed-asset register. Useful life is assigned by the Chief Engineer or designated Department Head.

Step 9 – Final Reporting & Lessons Learned: A final project closeout report (cost, schedule, change-order summary, lessons learned) is presented to the Engineering Committee and made available to Participating Member Agencies. The CIP Workplan is updated to reflect completed status.

Note: For developer-installed facilities that will be dedicated to SOCWA or a Member Agency, the formal acceptance, Bill of Sale / Dedication, and bond/security release processes of MNWD, SMWD, and ETWD provide additional models that may be adapted as needed.

7. Full Lifecycle Stages (Cradle to Grave)

Stage 1 – Needs Identification & Planning

Condition assessment, FPA, regulatory driver, or capacity study identifies a need. Project is entered into the 10-year CIP with a preliminary cost range and preferred year(s). High-priority items may receive early funding for studies. Prioritization incorporates Encina E-CAMP-style multi-criteria scoring and IRWD/ETWD risk models.

Stage 2 – Project Definition & Budget Authorization

Scope, budget, and schedule are refined. Project receives a Project ID and is included in the annual CIP cash request. Board/PC authorization provides spending authority.

Stage 3 – Design & Permitting

Professional design services procured (RFP). Environmental review and permits obtained. Long-lead equipment identified for pre-purchase. Final engineer's estimate prepared.

Stage 4 – Procurement & Award

Construction and/or equipment solicitations issued per Purchasing Policy. Award recommended to Board/PC. Contracts executed; bonds and insurance confirmed.

Stage 5 – Construction / Implementation

Notice to Proceed issued. Construction management, inspection, change-order control, and progress reporting occur. Staff charges and CM costs are booked to the project. Regular status reports are provided to the Engineering Committee and Board.

Stage 6 – Substantial Completion, Final Acceptance, Notice of Completion & Retention Release

This stage incorporates the formal Board-governed closeout process detailed in SOP 6.4. After punch-list completion and staff recommendation, the Board (or PC Board) accepts the work as complete, authorizes filing of the Notice of Completion with the Orange County Recorder, and authorizes release of retention or escrow funds after the statutory waiting period (typically 35–60 days) provided no claims or stop notices are outstanding. This step is mandatory under this Program and reflects governance practices observed among peer agenciesincluding Encina Wastewater Authority, South Coast Water District, Irvine Ranch Water District, Santa Margarita Water District, and related processes at MNWD and ETWD.

Stage 7 – Capitalization & Commissioning Close-out

Upon beneficial use / start-up and Board acceptance, Finance capitalizes the full project cost and begins depreciation. O&M manuals, training, spare parts, warranties, and as-builts are finalized; the asset is transferred to the relevant Project Committee's operating inventory.

Stage 8 – Operation, Maintenance & Monitoring

Asset enters the O&M program of the relevant Project Committee. Preventive maintenance, condition monitoring, and performance tracking continue. Remaining useful life is periodically reassessed.

Stage 9 – Mid-Life Intervention or Replacement Planning

When condition, risk, or regulatory drivers indicate the need for major rehabilitation or replacement, the cycle returns to Stage 1. Residual book value and the potential for asset life extension are considered and may include assessments like a lifecycle-cost analysis.

Stage 10 – Retirement / Disposal

Asset is taken out of service. Surplus equipment is disposed of per surplus-property policy (auction, scrap, recycle). Book value is removed; gains/losses recognized per GASB. Environmental and safety obligations are closed out.

8. Capitalization, Depreciation & Asset Retirement

Per the SOCWA Capitalization and Depreciation Policy (aligned with GASB) and consistent with peer thresholds (e.g., SCWD $5,000):

- Capitalization threshold: generally $5,000 or more and useful life exceeding three years (one year for certain intangible software/licenses). Integrated systems may be grouped.

- Construction projects are capitalized upon completion, start-up, and formal Board (or PC) acceptance (Stage 6). Capitalized cost includes studies, design, construction, equipment, construction management, legal, and administration expenses related to the project.
- Project studies expected to lead to construction within approximately six months are treated as assets (three-year life); if construction begins earlier, the study cost is rolled into the construction asset.
- Depreciation is straight-line over the useful life determined by the Chief Engineer or designated Department Head.
- Repairs are expensed unless they extend useful life and meet the capitalization threshold.
- Physical inventory of capital assets is conducted at least every two years.
- Disposition follows California Government Code surplus-property rules; gains/losses are recognized in accordance with GASB.

9. Transparency, Reporting & Board Oversight

SOCWA's Member Agencies and the public are kept informed through the following mechanisms, which align with the transparency practices of Encina, SCWD, IRWD, ETWD, MNWD, and SMWD:

- Annual Budget Book (O&M by PC + Large Capital Projects tables + 10-Year CIP Appendix).
- Capital Improvement Program Workplan / Progress & Change Order Reports (Engineering Committee and Board).
- Finance Committee packets showing year-over-year comparisons and Member Agency impacts.
- Project Committee agendas and minutes documenting PC-specific budget and contract actions.
- Formal Board (or PC) actions accepting completed projects, authorizing Notice of Completion, and authorizing retention/escrow release—entered into the public record.
- Public posting of solicitations and results on PlanetBids and the SOCWA website.
- Audited financial statements that report capital assets, depreciation, and long-term obligations.
- Final project closeout reports summarizing cost, schedule, and lessons learned.

Any material deviation from the adopted CIP cash request, significant change orders, or proposed interfund transfers that alter cost shares are brought to the appropriate Committee and Board for discussion and action, preserving transparency and accountability.

10. Peer Agency Alignment & References

This Program deliberately incorporates published practices of the following agencies so that SOCWA's capital lifecycle management is consistent with regional expectations and Member Agency standards:

Encina Wastewater Authority (Encina JPA) – Comprehensive Asset Management Plan (E-CAMP) driving multi-year CIP prioritization (safety, regulatory compliance, reliability, etc.); Board of Directors final acceptance of major capital projects; restricted capital contributions with appropriation carry-forward; progressive design-build delivery with defined Final Project Acceptance milestones. Encina's full capital program, in which the governing Board signs off on Notices of Completion and releases of escrow, is a primary model for SOCWA's Stage 6 and SOP 6.4.

South Coast Water District (SCWD) – Board of Directors authorizes filing of Notice of Completion and Release of Retention Fund for completed capital projects (explicit staff-report language and Board action). Engineering & Operations Committee review precedes Board action. Infrastructure Master Plan and Asset Management Program inform the CIP. Full project-cost transparency (design, construction, CM, staff charges) is provided to the Board.

Irvine Ranch Water District (IRWD) – Board accepts construction, authorizes the General Manager to file a Notice of Completion, and authorizes payment of retention 35 days after recording of the NOC. Formal definitions of Substantial Completion and Final Acceptance appear in Project Manuals. Risk-based CIP Asset Management (Likelihood of Failure × Consequence of Failure) prioritizes work. Escrow agreements in lieu of retention (Public Contract Code § 22300) are utilized.

Santa Margarita Water District (SMWD) – Board accepts work, files Notice of Completion, and releases retention within 60 days thereafter, contingent on no claims and punch-list completion. Structured Bond Exoneration / Tract Acceptance process routes through Engineering/Operations Committee then Board. Multi-year CIP Budget published with full lifecycle visibility.

Moulton Niguel Water District (MNWD) – Formal Notice of Acceptance / Certificate of Acceptance of facilities; one-year warranty period begins upon acceptance; subsequent bond/security release. CIP permanent files retain Notice of Award, Notice to Proceed, Notice of Completion, warranties, and as-builts. Board awards contracts and contingencies; Engineering/Operations Committee reviews.

El Toro Water District (ETWD) – Asset Management Program and Master Plan (with asset-management component) drive the 10-year CIP. Capital projects above a defined threshold carry an explicit Board Approval Schedule tracked by the Engineering & Finance Committee. Close-out includes final inspection, as-builts, Dedication of Facilities, and City notification. Board authorizes fund transfers within the Capital Budget under the Administrative Code.

Primary Governing Documents for SOCWA:

- SOCWA Joint Powers Agreement (especially §§ 6.2 and 6.3 on cost allocation)
- Past Annual Budget Books
- SOCWA Uniform Purchasing Policy / Purchasing Guidelines
- SOCWA Capitalization and Depreciation Policy
- SOCWA Investment Policy and related financial policies
- California Public Contract Code (competitive bidding, design-build, retention, escrow)
- California Civil Code (mechanics' liens, stop notices, Notice of Completion effects)
- GASB Statements Nos. 34, 42, 51 (capital assets, impairment, intangibles)
- Project Committee Agreements and most recent reorganization agreements setting capacity percentages

Appendix A – Illustrative FY 2026-27 CIP Snapshot

The following figures are drawn from the Draft / Approved FY 2026-27 Budget materials and are provided for illustration of the scale and structure of the Program. Exact numbers should be verified against the final adopted Budget Book.

Combined FY 2026-27 Budget (approximate)

- Total O&M + Admin + UAL/OPEB ≈ $20.06 million
- CIP Cash Request (after refinement) ≈ $8.45 million
- Combined O&M + CIP request ≈ $28.5 million
- Ten-Year CIP horizon (all PCs) on the order of $160–190 million (depending on final tables)

Major Project Committee CIP Activity (illustrative)

- PC 2 (J.B. Latham) – Electrical upgrades, headworks, digester/solids improvements, energy building, effluent pump station work
- PC 15 (Coastal Treatment Plant) – Aeration, odor control, export sludge, roof replacements, small-capital programs, facility planning
- PC 5 / PC 24 (Outfalls) – Monitoring, seal replacement, realignment studies, small capital
- PC 21 (Effluent Transmission Main) – Trail bridge protection and related work
- Laboratory / Common – Server replacements, SCADA integration, firewall upgrades, lab reconstruction feasibility

Cash requests are allocated to Participating Member Agencies according to ownership of capacity in each facility (liquids, solids, common, outfall). Detailed allocation tables appear in the Budget Book by Project Committee.

Appendix B – Sample Project Budget Cost Categories

When preparing a project budget request for inclusion in the CIP, staff should develop a line-item estimate that covers the full lifecycle cost of delivery. A typical template includes:

1. Planning / Studies / Environmental – $
2. Design (Preliminary + Final) – $
3. Permitting & Agency Fees – $
4. Pre-Purchase Equipment (list each major item) – $
5. Construction Contract (including retention, if needed) (Opinion of Probable Construction Cost (OPCC)) – $
6. Construction Contingency (X %) – $
7. Construction Management / Inspection (in-house + consultant) – $
8. SOCWA Staff Charges (Engineering, Ops, Admin + Fringe) – $
9. Legal / Specialty Consultants – $
10. Startup, Testing, Training, O&M Manuals – $ (JB COMMENT/QUESTION - Are we planning to include a line item in the bids to get these values? We won't get them without that.)

11. Other / Owner Costs – $ (JB COMMENT/QUESTION – This appears to be something from a private construction project?)

TOTAL PROJECT BUDGET – $

Phasing: FY XX – $____ ; FY XX+1 – $____ ; Thereafter – $____

Planning/Design Recommended Contingency Release Authority: General Manager up to __ % or $____

Construction Recommended Contingency Release Authority: General Manager up to __ % or $____

Appendix C – Sample Board Action Language (NOC & Retention Release)

The following illustrative language is drawn from the published practices of South Coast Water District, Irvine Ranch Water District, and Santa Margarita Water District and may be adapted for SOCWA Board or Project Committee actions:

Illustrative Recommendation / Resolution Text:

“Staff recommends that the Board of Directors [or Project Committee Board] (1) accept the construction of the [Project Name] as complete in accordance with the Contract Documents; (2) authorize the General Manager to execute and cause to be recorded a Notice of Completion with the Orange County Recorder; and (3) authorize the release of retention [or escrowed funds] to the Contractor thirty-five (35) [or sixty (60)] days after the date of recording of the Notice of Completion, contingent upon confirmation that no stop notices, claims, or liens have been filed and that all punch-list items have been completed to the satisfaction of the Authority.”

Supporting staff reports should include a final cost summary, change-order history, confirmation of as-builts/warranties/O&M manuals, and a statement that the work is ready for beneficial use and capitalization.