

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

**October 20, 2026
10:30 a.m.**

NOTICE IS HEREBY GIVEN that a Regular Meeting of the South Orange County Wastewater Authority (SOCWA) Finance Committee was called to be held on **October 20, 2026, at 10:30 a.m.** SOCWA staff will be present and conducting the meeting at the SOCWA Administrative Office located at 34156 Del Obispo Street, Dana Point, California.

THE SOCWA MEETING ROOM IS WHEELCHAIR ACCESSIBLE. IF YOU REQUIRE ANY SPECIAL DISABILITY RELATED ACCOMMODATIONS, PLEASE CONTACT THE SOUTH ORANGE COUNTY WASTEWATER AUTHORITY SECRETARY'S OFFICE AT (949) 234-5400 AT LEAST SEVENTY-TWO (72) HOURS PRIOR TO THE SCHEDULED MEETING TO REQUEST SUCH ACCOMMODATIONS. THIS AGENDA CAN BE OBTAINED IN ALTERNATE FORMAT UPON REQUEST TO THE SOUTH ORANGE COUNTY WASTEWATER AUTHORITY'S SECRETARY AT LEAST SEVENTY-TWO (72) HOURS PRIOR TO THE SCHEDULED MEETING. MEMBERS OF THE PUBLIC HAVE THE OPTION TO PARTICIPATE IN AND MAY JOIN THE MEETING REMOTELY VIA VIDEO CONFERENCE FOR VISUAL INFORMATION ONLY (USE ZOOM LINK BELOW) AND BY TELECONFERENCE FOR AUDIO PARTICIPATION (USE PHONE NUMBERS BELOW). THIS IS A PHONE-CALL MEETING AND NOT A WEB-CAST MEETING, SO PLEASE REFER TO AGENDA MATERIALS AS POSTED ON THE WEBSITE AT WWW.SOCWA.COM, ON YOUR REQUEST, EVERY EFFORT WILL BE MADE TO ACCOMMODATE PARTICIPATION. FOR PARTIES PARTICIPATING REMOTELY, PUBLIC COMMENTS WILL BE TAKEN DURING THE MEETING FOR ORAL COMMUNICATION IN ADDITION TO PUBLIC COMMENTS RECEIVED BY PARTIES PARTICIPATING IN PERSON. COMMENTS MAY BE SUBMITTED PRIOR TO THE MEETING VIA EMAIL TO ASSISTANT SECRETARY LYNDIA MAY AT LMAY@SOCWA.COM WITH THE SUBJECT LINE "REQUEST TO PROVIDE PUBLIC COMMENT." IN THE EMAIL, PLEASE INCLUDE YOUR NAME, THE ITEM YOU WISH TO SPEAK ABOUT, AND THE TELEPHONE NUMBER YOU WILL BE CALLING FROM SO THAT THE COORDINATOR CAN UN-MUTE YOUR LINE WHEN YOU ARE CALLED UPON TO SPEAK. THOSE MAKING PUBLIC COMMENT REQUESTS REMOTELY VIA TELEPHONE IN REAL-TIME WILL BE ASKED TO PROVIDE YOUR NAME, THE ITEM YOU WISH TO SPEAK ABOUT, AND THE TELEPHONE NUMBER THAT YOU ARE CALLING FROM SO THE COORDINATOR CAN UN-MUTE YOUR LINE WHEN YOU ARE CALLED UPON TO SPEAK. ONCE THE MEETING HAS COMMENCED, THE CHAIR WILL INVITE YOU TO SPEAK AND ASK THE COORDINATOR TO UN-MUTE YOUR LINE AT THE APPROPRIATE TIME.

AGENDA ATTACHMENTS AND OTHER WRITINGS THAT ARE DISCLOSABLE PUBLIC RECORDS DISTRIBUTED TO ALL, OR A MAJORITY OF, THE MEMBERS OF THE SOUTH ORANGE COUNTY WASTEWATER AUTHORITY FINANCE COMMITTEE IN CONNECTION WITH A MATTER SUBJECT FOR DISCUSSION OR CONSIDERATION AT AN OPEN MEETING OF THE FINANCE COMMITTEE ARE AVAILABLE FOR PUBLIC INSPECTION IN THE AUTHORITY ADMINISTRATIVE OFFICE LOCATED AT 34156 DEL OBISPO STREET, DANA POINT, CA ("AUTHORITY OFFICE") OR BY PHONE REQUEST MADE TO THE AUTHORITY OFFICE AT 949-234-5400. IF SUCH WRITINGS ARE DISTRIBUTED TO MEMBERS OF THE FINANCE COMMITTEE LESS THAN SEVENTY-TWO (72) HOURS PRIOR TO THE MEETING, THEY WILL BE AVAILABLE IN THE RECEPTION AREA OF THE AUTHORITY OFFICE AT THE SAME TIME AS THEY ARE DISTRIBUTED TO THE FINANCE COMMITTEE AND SENT TO ANY REMOTE PARTICIPANTS REQUESTING EMAIL DELIVERY OR POSTED ON SOCWA'S WEBSITE. IF SUCH WRITINGS ARE DISTRIBUTED IMMEDIATELY PRIOR TO, OR DURING, THE MEETING, THEY WILL BE AVAILABLE IN THE MEETING ROOM OR IMMEDIATELY UPON VERBAL REQUEST TO BE DELIVERED VIA EMAIL TO REQUESTING PARTIES PARTICIPATING REMOTELY.

**THE PUBLIC MAY PARTICIPATE REMOTELY BY VIRTUAL MEANS FOR AUDIO OF MEETING USE
THE CALL IN PHONE NUMBERS BELOW AND FOR VIDEO USE THE ZOOM LINK BELOW.**

Join Zoom Meeting
<https://socwa.zoom.us>

Meeting ID: 897 8029 9892
Passcode: 961490

One Tap Mobile
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+16699006833,, 89780299892#,,,,*961490# US (San Jose)

AGENDA

1. Call Meeting to Order
2. Public Comments

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

PAGE NO.

3. Approval of Minutes..... 1
 - Finance Committee Meeting of September 15, 2026

Recommended Action: Staff recommends that the Finance Committee approve the subject minutes as submitted.
4. GASB 75 Report 4

Recommended Action: Information Item.
5. Draft Cost Allocation Policy 24

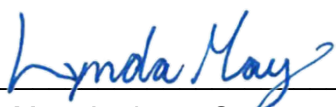
Recommended Action: Staff recommends that the Finance Committee accept the redline changes to the Cost Allocation Policy and recommends the approval of the Cost Allocation Policy to the SOCWA Board of Directors.
6. Draft Use Audit FY 25-26 47

Recommended Action: Information Item.
7. 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.

I hereby certify that the foregoing Notice was posted at least 72 hours prior to the time of the above-referenced Finance Committee meeting at the usual agenda posting location of the South Orange County Wastewater Authority and at www.socwa.com.

Dated this 16th day of October 2026.



Lynda May, Assistant Secretary
SOUTH ORANGE COUNTY WASTEWATER AUTHORITY

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

Finance Committee

September 15, 2026

DRAFT

The Regular Meeting of the South Orange County Wastewater Authority (SOCWA) Finance Committee was held on September 15, 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
KATHRYN FRESHLEY	El Toro Water District	Director
ERICA CASTILLO	South Coast Water District	Alternate Director
PAUL PENDER	Santa Margarita Water District	Alternate Director

Staff Participation:

AMBER BOONE	General Manager
RONI GRANT	Capital Improvement Program (CIP) Manager
JACK BECK	Senior Accountant
ANNA SUTHERLAND	Accountant
MATT CLARKE	Chief Technology Officer
DINA ASH	Human Resources Administrator
LYNDA MAY	Administrative Assistant/Assistant Secretary
ROBERT CULVER	Environmental Service Manager

Also Participating:

MIKE DUNBAR	Emerald Bay Service District
SCOTT GOLDMAN	South Coast Water District
KELSEY DECASAS	Moulton Niguel Water District
KATHERINE KORSAK	Regional Government Services

1. Call Meeting to Order

Chairperson Paul Pender called the meeting to order at 10:32 a.m.

2. Public Comments

None.

3. Approval of Minutes

- Finance Committee Special Meeting of April 21, 2026.

ACTION TAKEN

A motion was made by Director Castillo and seconded by Director Pender to approve the Minutes for April 21, 2026, as submitted.

Motion carried:	Aye 2, Nay 0, Abstained 1, Absent 1
	Director Freshley Abstain
	Director Bannigan Absent
	Director Pender Aye
	Director Castillo Aye

4. General Manager's Report

Ms. Amber Boone updated the committee on the agency's purchase order cleanup, the preparation of a banking-services RFP, progress on the annual audit, and support from Regional Government Services. Ms. Boone informed the committee that the banking-services RFP will be issued by the end of the week.

5. Cost Allocation Policy

An open discussion ensued on the draft revisions of the policy, with Ms. Boone noting the policy is expected to return to the October Finance Committee meeting after further comments and review.

6. Financial Reports for the Month of June 30, 2026

A brief discussion ensued on the financial report, with Ms. Boone noting the O&M being under budget and capital spending rate being at 72.6 percent.

ACTION TAKEN

A motion was made by Director Castillo and seconded by Director Pender to recommend the Board receive and file the June 2026 Financial Reports.

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

7. Use Audit Flows & Solids FY 25-26

Ms. Boone briefed the committee on the Use audit's loading data being accurate but the percentage totals need updating, which will be done for the upcoming Engineering Committee meeting. Budgeted flows were requested for comparison with actual flows. The committee was notified an update will likely be provided at their next meeting in October.

8. Quarterly Investment Reporting Under Government Code Section 53646

Ms. Boone briefed the committee on the quarterly investment report which showed funds held in LAIF, with no other current investments. The committee was informed that staff will prepare and present an RFP for financial services to manage PC 15 investment funds after the transition from LAIF.

9. Capital Asset Lifecycle Program

A capital asset life-cycle program was presented for governance, project tracking, long-term maintenance planning, and capital forecasting. A brief discussion ensued on potentially making the program a board approved policy.

10. Adjournment

There being no further business, Chairperson Pender adjourned the meeting at 11:25 a.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 September 15, 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

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Finance Committee Meeting

Legal Counsel Review: Yes

Meeting Date: October 20, 2026

TO: Finance Committee

FROM: Amber Boone, General Manager

SUBJECT: GASB 75 Report

Summary

As of the June 30, 2026 measurement date (based on a January 1, 2025 actuarial valuation, rolled forward), the Authority's Agent Multiple-Employer OPEB plan (with trust) covers 97 participants (55 receiving benefits, 2 entitled but not yet receiving, and 40 active employees). The Total OPEB Liability rose modestly to \$14,797,509 from \$14,499,764, while Fiduciary Net Position increased more substantially to \$8,853,621 from \$7,750,994. This produced a Net OPEB Liability of \$5,943,888 (down from \$6,748,770) and improved the funded ratio to 59.8% from 53.5%. No changes in assumptions or benefit terms occurred during the measurement period.

OPEB expense for fiscal year 2025/26 was \$1,017,794. Employer contributions totaled \$816,093 (entirely pay-as-you-go benefit payments made outside the trust, consisting of \$701,585 cash benefits and \$114,508 implicit subsidy), versus an actuarially determined contribution of \$946,550 (contribution deficiency of \$130,457). Investment earnings of \$1,123,253 and the contribution activity drove the improvement in net position. At June 30, 2026, deferred outflows of resources were \$2,179,594 and deferred inflows were \$1,326,413; these are scheduled to be recognized in future OPEB expense over the coming years (net positive recognition expected in each of the next several years).

Key assumptions include a 5.75% discount rate and expected long-term rate of return (aligned with the PARS-Balanced target allocation), 2.50% inflation, CalPERS mortality/retirement assumptions with MP-2021 improvement, and healthcare trends that grade down to an ultimate 3.45%. Sensitivity analysis shows the Net OPEB Liability would rise to \$7,872,553 at a 4.75% discount rate or \$8,263,459 under a 1% higher healthcare trend, and fall to \$4,350,566 at a 6.75% discount rate or \$4,052,981 under a 1% lower trend. Covered-employee payroll was \$5,331,964, resulting in the Net OPEB Liability equaling 111.5% of payroll. The attached report provides the full note disclosures, required supplementary information, and supporting calculations.

Recommended Action: Information Item

Attachment: GASB 75 Report from Foster and Foster



South Orange County Wastewater Authority Retiree Healthcare Plan



June 30, 2026 GASBS 75 Accounting Information As of Measurement Date June 30, 2026 Based on the January 1, 2025 Actuarial Valuation

Drew Ballard, FSA, EA, MAAA
Matthew Childs
Mariella Sep
Foster & Foster, Inc.

October 1, 2026

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Applicable Dates

Applicable Dates and Periods

	Fiscal Year Ended June 30, 2026
■ Measurement date	June 30, 2026
■ Measurement period	July 1, 2025 to June 30, 2026
■ Actuarial valuation date	January 1, 2025

Update procedures were used to roll forward the Total OPEB Liability from the valuation date (January 1, 2025) to the measurement date (June 30, 2026).



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South Orange County Wastewater Authority

Note Disclosures

Plan Information

	Fiscal Year Ended June 30, 2026
■ Plan type	Agent Multiple Employer
■ OPEB trust	Yes
■ Special funding situation	No
■ Nonemployer contributing entities	No



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South Orange County Wastewater Authority

Note Disclosures

Expected Long-Term Rate of Return

	Target Allocation PARS-Balanced	Expected Real Rate of Return
■ Asset Class Component		
● Global Equity	60%	4.56%
● Fixed Income	35%	0.78%
● Cash	5%	(0.50%)
■ Assumed Long-Term Rate of Inflation		2.50%
■ Expected Long-Term Net Rate of Return, Rounded		5.75%

The long-term expected real rates of return are presented as geometric means.



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Note Disclosures

Covered Participants*

At June 30, 2026, the measurement date, the following numbers of participants were covered by the benefit terms:

	Number of Covered Participants
■ Inactives currently receiving benefits	55
■ Inactives entitled to but not yet receiving benefits	2
■ Active employees	40
■ Total	97

* As reported by the Authority.



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Note Disclosures

Net OPEB Liability/(Asset)

	Fiscal Year Ended	
	6/30/25	6/30/26
■ Total OPEB Liability (TOL)	\$ 14,499,764	\$ 14,797,509
■ Fiduciary Net Position (FNP)*	7,750,994	8,853,621
■ Net OPEB Liability (NOL)	6,748,770	5,943,888
■ Funded status (FNP/TOL)	53.5%	59.8%

* Asset information is from asset reconciliation provided by PARS.



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Note Disclosures

Changes in Net OPEB Liability/(Asset)

	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
■ Balance at 6/30/25	\$14,499,764	\$ 7,750,994	\$ 6,748,770
■ Changes for the year			
● Service Cost	287,059	-	287,059
● Interest	826,779	-	826,779
● Changes of benefit terms	-	-	-
● Actual vs. expected experience	-	-	-
● Assumption changes	-	-	-
● Contributions - employer*	-	816,093	(816,093)
● Contributions - employee	-	-	-
● Net investment income	-	1,123,253	(1,123,253)
● Benefit payments*	(816,093)	(816,093)	-
● Administrative expenses	-	(20,626)	20,626
■ Net Changes	297,745	1,102,627	(804,882)
■ Balance at 6/30/26	\$14,797,509	\$ 8,853,621	\$ 5,943,888

* See the measurement period column on page 20 for details.

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Note Disclosures

Sensitivity of Net OPEB Liability/(Asset)

■ Changes in the Discount Rate

	Discount Rate		
	1% Decrease (4.75%)	Current Rate (5.75%)	1% Increase (6.75%)
■ Net OPEB Liability	\$ 7,872,553	\$ 5,943,888	\$ 4,350,566

■ Changes in the Healthcare Trend Rate

	Healthcare Trend Rate		
	1% Decrease	Current Trend	1% Increase
■ Net OPEB Liability	\$ 4,052,981	\$ 5,943,888	\$ 8,263,459



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Note Disclosures

OPEB Expense/(Income) for Fiscal Year

	2025/26
■ OPEB Expense/(Income)*	\$ 1,017,794

* See page 26 for OPEB expense/(income) detail, which is not a required disclosure.



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Note Disclosures

Deferred Outflows/Inflows Balances at June 30, 2026

	June 30, 2026	
	Deferred Outflows of Resources	Deferred Inflows of Resources
■ Differences between expected and actual experience	\$ 598,969	\$ 351,641
■ Changes in assumptions	1,580,625	57,622
■ Net difference between projected and actual earnings on plan investments	-	917,150
■ Total	2,179,594	1,326,413



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Note Disclosures

Recognition of Deferred Outflows and Inflows of Resources in Future OPEB Expense

FYE June 30	Deferred Outflows/(Inflows) of Resources
■ 2027	\$ 63,766
■ 2028	94,329
■ 2029	251,896
■ 2030	194,635
■ 2031	91,311
■ Thereafter	157,244



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Note Disclosures

Significant Actuarial Assumptions Used for Total OPEB Liability

Actuarial Assumption	June 30, 2026 Measurement Date
■ Actuarial Valuation Date	■ January 1, 2025
■ Contribution Policy	■ Authority contributes on a pay-as-you-go basis ■ Benefits paid outside the trust and not reimbursed
■ Discount Rate and Long-Term Expected Rate of Return on Assets	■ 5.75% at June 30, 2026 ■ 5.75% at June 30, 2025 ■ Expected Authority contributions projected to keep sufficient plan assets to pay all benefits from trust
■ General Inflation	■ 2.50% annually
■ Mortality, Retirement, Disability, Termination	■ CalPERS 2000-2019 Experience Study
■ Mortality Improvement	■ Mortality projected fully generational with Scale MP-2021



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Note Disclosures

Significant Actuarial Assumptions Used for Total OPEB Liability

Actuarial Assumption	June 30, 2026 Measurement Date
■ Salary Increases	■ Aggregate - 2.75% annually ■ Merit - CalPERS 2000-2019 Experience Study
■ Medical Trend	■ Non-Medicare - 7.35% for 2027, decreasing to an ultimate rate of 3.45% in 2076 ■ Medicare (Non-Kaiser) - 6.50% for 2027, decreasing to an ultimate rate of 3.45% in 2076 ■ Medicare (Kaiser) - 5.45% for 2027, decreasing to an ultimate rate of 3.45% in 2076
■ PEMHCA Minimum Increases	■ 3.50% annually
■ Cap Increases	■ 95% of average premium cap - Non-Medicare healthcare trend
■ Healthcare Participation for Future Retirees	■ Hired before 1/1/2017 - 100% ■ Hired on or after 1/1/2017 - 50%



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Note Disclosures

Changes Since June 30, 2025 Measurement Date

	June 30, 2026 Measurement Date
■ Changes of assumptions	■ None
■ Changes of benefit terms	■ None



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Required Supplementary Information

Schedule of Changes in Net OPEB Liability/(Asset) and Related Ratios

	2025/26
■ Changes in Total OPEB Liability	
● Service Cost	\$ 287,059
● Interest	826,779
● Changes of benefit terms	-
● Actual vs. expected experience	-
● Assumption changes	-
● Benefit payments	(816,093)
■ Net Changes	297,745
■ Total OPEB Liability (beginning of year)	14,499,764
■ Total OPEB Liability (end of year)	14,797,509



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Required Supplementary Information

Schedule of Changes in Net OPEB Liability/(Asset) and Related Ratios

	2025/26
■ Changes in Plan Fiduciary Net Position	
● Contributions - employer	\$ 816,093
● Contributions - employee	-
● Net investment income	1,123,253
● Benefit payments	(816,093)
● Administrative expenses	(20,626)
● Other changes	-
● Net Changes	1,102,627
■ Plan Fiduciary Net Position (beginning of year)	7,750,994
■ Plan Fiduciary Net Position (end of year)	8,853,621



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Required Supplementary Information

Schedule of Changes in Net OPEB Liability/(Asset) and Related Ratios

	2025/26
	Measurement Date 6/30/26
■ Net OPEB Liability/(Asset)	\$ 5,943,888
■ Fiduciary Net Position as a percentage of the Total OPEB Liability	59.8%
■ Covered employee payroll*	5,331,964
■ Net OPEB Liability as a percentage of covered employee payroll	111.5%

* For the 12-month period ended on June 30, 2026 (Measurement Date).
As reported by the Authority.



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Required Supplementary Information

Schedule of Employer Contributions

	Fiscal Year 2025/26
■ Actuarially Determined Contribution (ADC)	\$ 946,550
■ Contributions in relation to the actuarially determined contribution*	816,093
■ Contribution deficiency/(excess)	130,457
■ Covered employee payroll**	5,331,964
■ Contributions as a percentage of covered employee payroll	15.3%

* See page 20 for details.

** For the 12-month period ended on June 30, 2026 (fiscal year end).

As reported by the Authority.



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Required Supplementary Information

Notes to Schedule of Employer Contribution Methods and Assumptions for 2025/26 Actuarially Determined Contribution

■ Valuation Date	■ January 1, 2025
■ Actuarial Cost Method	■ Entry Age Normal, Level % of pay
■ Amortization Method	■ Level % of pay
■ Amortization Period	■ 14-year fixed period for 2025/26
■ Asset Valuation Method	■ Market value of assets
■ Discount Rate	■ 5.75%
■ General Inflation	■ 2.50%
■ Medical Trend	■ Non-Medicare - 7.35% for 2027, decreasing to an ultimate rate of 3.45% in 2076 ■ Medicare (Non-Kaiser) - 6.50% for 2027, decreasing to an ultimate rate of 3.45% in 2076 ■ Medicare (Kaiser) - 5.45% for 2027, decreasing to an ultimate rate of 3.45% in 2076



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Actuarial Certification

This report presents the South Orange County Wastewater Authority Retiree Healthcare Plan 2025/26 disclosure under Governmental Accounting Standards Board Statement No. 75 (GASBS 75). This report may not be appropriate for other purposes, although it may be useful to the Authority for the Plan's financial management.

This report is based on information provided by the Authority which we relied on and did not audit. Additional information on the actuarial valuation can be found in the January 1, 2025 actuarial valuation report.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as: plan experience differing from that anticipated by the assumptions; changes in assumptions; changes expected as part of the natural progression of the plan; and changes in plan provisions or applicable law. Actuarial models necessarily rely on the use of estimates and are sensitive to changes. Small variations in estimates may lead to significant changes in actuarial measurements. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of such measurements.

The Journal Entries in this report are provided for the Authority's convenience and are not an actuarial communication. Therefore, this actuarial certification does not apply to the Journal Entries.

To the best of my knowledge, this report is complete and accurate and has been conducted using generally accepted actuarial principles and practices and complies with applicable Actuarial Standards of Practice. Additionally, in my opinion, actuarial methods and assumptions comply with GASBS 75. As the actuary, I have recommended the assumptions used in this report, and I believe they are reasonable. As a member of the American Academy of Actuaries meeting the Academy Qualification Standards, I certify the actuarial results and opinions herein.

Respectfully submitted,



Drew Ballard, FSA, EA, MAAA

Foster & Foster, Inc.

October 1, 2026



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Supporting Calculations

Employer Contributions

	Measurement Period
	7/1/25 to 6/30/26
■ Cash benefit payments	\$ 701,585
■ Implicit subsidy benefit payments	114,508
■ Total benefit payments	816,093
■ Benefit payments reimbursed from trust	-
■ Benefit payments paid outside of trust	816,093
■ Non-trust admin expenses	-
■ Non-trust admin expenses reimbursed from trust	-
■ Trust contributions	-
■ Total employer contributions	816,093

Measurement period (7/1/25 to 6/30/26): \$816,093

Fiscal year (7/1/25 to 6/30/26): \$816,093



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Supporting Calculations

Average of the Expected Remaining Service Lives

July 1, 2025 (beginning of the measurement period) was not a valuation date and no census data was available to the actuary as of that date. Therefore, the average of the expected remaining service lives was estimated as follows:

Valuation Date	Total expected remaining service lives*	Covered participants*	Average of the expected remaining service lives as of valuation date	Average of the expected remaining service lives as of 7/1/25 (not less than 1 yr)
1/1/25	516.7 years	92	5.6 years	5.6 years

* Participants with no liability excluded for the purpose of calculating the average.



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Supporting Calculations

Recognition of Deferred Outflows/Inflows at June 30, 2026 Differences between Expected and Actual Experience

Fiscal Year	Initial Amt	Initial Recog Period	Amount Recognized in OPEB Expense for FY							Deferred Balances June 30, 2026	
			25/26	26/27	27/28	28/29	29/30	30/31	31/32+	Outflows	(Inflows)
20/21	(840,090)	8.0	(105,011)	(105,011)	(105,013)	-	-	-	-	-	(210,024)
21/22	(377,647)	8.0	(47,206)	(47,206)	(47,206)	(47,205)	-	-	-	-	(141,617)
22/23	217,884	9.0	24,209	24,209	24,209	24,209	24,209	24,212	-	121,048	-
23/24	292,779	10.0	29,278	29,278	29,278	29,278	29,278	29,278	58,555	204,945	-
24/25	424,630	5.6	75,827	75,827	75,827	75,827	45,495	-	-	272,976	-
25/26	-	-	-	-	-	-	-	-	-	-	-
Total			(22,903)	(22,903)	(22,905)	82,109	98,982	53,490	58,555	598,969	(351,641)



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Supporting Calculations

Recognition of Deferred Outflows/Inflows at June 30, 2026 **Changes of Assumptions**

Fiscal Year	Initial Amt	Initial Recog Period	Amount Recognized in OPEB Expense for FY							Deferred Balances June 30, 2026	
			25/26	26/27	27/28	28/29	29/30	30/31	31/32+	Outflows	(Inflows)
20/21	297,733	8.0	37,217	37,217	37,214	-	-	-	-	74,431	-
21/22	-	-	-	-	-	-	-	-	-	-	-
22/23	(103,722)	9.0	(11,525)	(11,525)	(11,525)	(11,525)	(11,525)	(11,522)	-	-	(57,622)
23/24	493,433	10.0	49,343	49,343	49,343	49,343	49,343	49,343	98,689	345,404	-
24/25	1,805,672	5.6	322,441	322,441	322,441	322,441	193,467	-	-	1,160,790	-
25/26	-	-	-	-	-	-	-	-	-	-	-
Total			397,476	397,476	397,473	360,259	231,285	37,821	98,689	1,580,625	(57,622)



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South Orange County Wastewater Authority

Supporting Calculations

Recognition of Deferred Outflows/Inflows at June 30, 2026 **Projected Versus Actual Earnings on Investments**

Fiscal Year	Initial Amt	Initial Recog Period	Amount Recognized in OPEB Expense for FY							Deferred Balances June 30, 2026	
			25/26	26/27	27/28	28/29	29/30	30/31	31/32+	Outflows	(Inflows)
21/22	1,323,263	5.0	264,651	-	-	-	-	-	-	-	-
22/23	(152,832)	5.0	(30,566)	(30,568)	-	-	-	-	-	-	(30,568)
23/24	(448,840)	5.0	(89,768)	(89,768)	(89,768)	-	-	-	-	-	(179,536)
24/25	(274,191)	5.0	(54,838)	(54,838)	(54,838)	(54,839)	-	-	-	-	(164,515)
25/26	(678,164)	5.0	(135,633)	(135,633)	(135,633)	(135,633)	(135,632)	-	-	-	(542,531)
Total			(46,154)	(310,807)	(280,239)	(190,472)	(135,632)	-	-	-	(917,150)
Net Deferred Outflows/(Inflows)										-	(917,150)

Calculation of initial amount for 2025/26:

Projected earnings on investments of \$445,089 (page 27), less

Actual earnings on investments of \$1,123,253 (net investment income, page 15)



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Supporting Calculations

Recognition of Deferred Outflows/Inflows in Future OPEB Expense

	26/27	27/28	28/29	29/30	30/31	Thereafter 31/32+
■ Differences between Expected and Actual Experience	(22,903)	(22,905)	82,109	98,982	53,490	58,555
■ Changes of Assumptions	397,476	397,473	360,259	231,285	37,821	98,689
■ Projected Versus Actual Earnings on Investments	(310,807)	(280,239)	(190,472)	(135,632)	-	-
■ Total	63,766	94,329	251,896	194,635	91,311	157,244



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Supporting Calculations

Components of GASBS 75 OPEB Expense

	2025/26
■ Service Cost	\$ 287,059
■ Interest on Total OPEB Liability	826,779
■ Projected earnings on investments	(445,089)
■ Employee contributions	-
■ Administrative expense	20,626
■ Changes of benefit terms	-
■ Recognition of deferred outflows/(inflows)	
● Experience	(22,903)
● Assumptions	397,476
● Asset returns	(46,154)
■ OPEB Expense/(Income)	1,017,794



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South Orange County Wastewater Authority

Supporting Calculations

Components of GASBS 75 OPEB Expense* **Calculation of Projected Earnings on Investments** **2025/26 Measurement Period**

	Dollar Amount	Expected Return	Portion of Year	Projected Earnings
■ Fiduciary Net Position (beginning of year)	\$ 7,750,994	5.75%	100%	\$ 445,682
■ Employer contributions	-	5.75%	0%	-
■ Employee contributions	-	5.75%	0%	-
■ Disbursements	-	5.75%	0%	-
■ Administrative expenses	(20,626)	5.75%	50%	(593)
■ Projected earnings				445,089

* The items on this page reflect trust activity only.



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South Orange County Wastewater Authority

Supporting Calculations

Components of GASBS 75 OPEB Expense **Calculation of Interest on Total OPEB Liability** **2025/26 Measurement Period**

	Dollar Amount	Discount Rate	Portion of Year	Interest
■ Total OPEB Liability	\$ 14,499,764	5.75%	100%	\$ 833,736
■ Service Cost	287,059	5.75%	100%	16,506
■ Changes of benefit terms	-	5.75%	0%	-
■ Experience	-	5.75%	0%	-
■ Assumption changes	-	5.75%	0%	-
■ Benefit payments	(816,093)	5.75%	50%	(23,463)
■ Total interest				826,779



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Supporting Calculations

GASBS 75 Balance Equation

	Fiscal Year Ended	
	6/30/25	6/30/26
■ Total OPEB Liability	\$ 14,499,764	\$ 14,797,509
■ Fiduciary Net Position	7,750,994	8,853,621
■ Net OPEB Liability/(Asset)	6,748,770	5,943,888
■ Deferred inflows of resources	858,145	1,326,413
■ Deferred (outflows) of resources	(2,717,909)	(2,179,594)
■ Balance Sheet	4,889,006	5,090,707

Check:

■ Balance Sheet 6/30/25	\$ 4,889,006
● OPEB Expense/(Income)	1,017,794
● Employer Contributions*	(816,093)
■ Balance Sheet 6/30/26	5,090,707

* See the measurement period column on page 20 for details.



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Supporting Calculations

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Journal Entries

Employer Contributions

The entries below assume cash benefit payments, Trust contributions, and administrative expenses have been charged to OPEB Expense when paid, and that no accounting entries have been made for the current year implicit subsidy payment, which is recorded as a reduction to active employee health care costs. See page 20 for details.

Following records the impact of employer contributions

	Debit	(Credit)
■ Net OPEB Liability - (for contributions paid 7/1/25 to 6/30/26)	\$ 816,093	\$ -
■ Deferred Outflow - 6/30/25 to 6/30/25 contributions	-	-
■ Deferred Outflow - 6/30/26 to 6/30/26 contributions	-	-
■ Active employee health care costs - (implicit subsidy payments 7/1/25 to 6/30/26)	-	(114,508)
■ OPEB Expense - (for contributions paid 7/1/25 to 6/30/26)	-	(701,585)

Check

816,093 (816,093)



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Journal Entries

Summary Journal Entries - OPEB Expense

Following records the impact of current year OPEB expense

	Debit	(Credit)
■ Deferred Outflows*	\$ -	\$ (538,315)
■ Deferred Inflows**	163,742	(632,010)
■ OPEB Expense/Credit	1,017,794	-
■ Net OPEB Liability	-	(11,211)

Check

1,181,536 (1,181,536)

* See page 34 ('Subtotal' row) for details.

** See page 35 for details.



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Journal Entries

Ending Balances at June 30, 2026

	Debit	(Credit)
■ Deferral: Differences between expected and actual experience	\$ 598,969	\$ (351,641)
■ Deferral: Changes of assumptions	1,580,625	(57,622)
■ Deferral: Net differences between projected and actual earnings on plan investments	-	(917,150)
■ Total deferred outflow/inflow	2,179,594	(1,326,413)
■ Net OPEB Liability (NOL)	-	(5,943,888)
■ Contributions after the Measurement Date	-	-
■ Net Impact	5,090,707	-

Check: 7,270,301 (7,270,301)

■ Total OPEB expense/(income) for FYE 2026	1,017,794	-
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Journal Entries

Reconciliation of Deferred Outflows

Detail for page 32

Deferred Outflows	Opening Balance - Debit	Journal Entry - Debit	Journal Entry - (Credit)	Ending Balance - Debit
■ Differences between actual and expected experience	\$ 728,283	\$ -	\$ (129,314)	\$ 598,969
■ Change in assumptions	1,989,626	-	(409,001)	1,580,625
■ Differences between projected and actual earnings on plan investments	-	-	-	-
■ Subtotal - actuarial deferrals	2,717,909	-	(538,315)	2,179,594
■ Contributions after the Measurement Date	-	-	-	-
■ Total Deferred Outflows	2,717,909	-	(538,315)	2,179,594



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Journal Entries

Reconciliation of Deferred Inflows

Detail for page 32

Deferred Inflows	Opening Balance - (Credit)	Journal Entry- (Credit)	Journal Entry - Debit	Ending Balance - (Credit)
■ Differences between actual and expected experience	\$ (503,858)	\$ -	\$ 152,217	\$ (351,641)
■ Change in assumptions	(69,147)	-	11,525	(57,622)
■ Differences between projected and actual earnings on plan investments	(285,140)	(632,010)	-	(917,150)
■ Total Deferred (Inflows)	(858,145)	(632,010)	163,742	(1,326,413)



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Journal Entries

Reconciliation of Deferred Outflows/(Inflows)

Summary of Balances

	Fiscal Year Ended	
	6/30/25	6/30/26
■ Total OPEB (Liability)	\$ (14,499,764)	\$ (14,797,509)
■ Fiduciary Net Position	7,750,994	8,853,621
■ Net OPEB (Liability)/Asset	(6,748,770)	(5,943,888)
■ Deferred (inflows) of resources	(858,145)	(1,326,413)
■ Deferred outflows of resources	2,717,909	2,179,594
■ Balance Sheet Impact	(4,889,006)	(5,090,707)



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Agenda Item

5

Finance Committee Meeting

Legal Counsel Review: Yes

Meeting Date: October 20, 2026

TO: Finance Committee

FROM: Amber Boone, General Manager

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 Finance 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.

The Draft Allocation Policy was reviewed by the Engineering Committee on October 15, 2026 and recommended to the SOCWA Board of Directors, once the Finance Committee approved the Policy. The updates to the Policy includes redlines from inception with highlighted items as new comments through the review process in Engineering and Finance Committees.

Recommended Action: Staff recommends that the Finance Committee accept the redline changes to the Cost Allocation Policy and recommends the approval of the Cost Allocation Policy to the SOCWA Board of Directors.

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 and then reviewed by the Finance Committee for affordability and Member Agency impacts, recommended by the relevant Project Committees, and adopted by the full Board (typically in May/June) as part of the combined O&M + CIP budget for the ensuing Fiscal Year; it covers the financing, location, and timing of capital improvements, repairs, adjustments, replacements, extraordinary or standby maintenance, and related incidental costs not directly tied to ordinary use of the Project facilities, with costs allocated to Participating Member Agencies in proportion to their ownership of capacity in the relevant facilities.

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. For example, the Buried Digester Piping Reconstruction project (Project #32232S/32234S/32244S) at the J.B. Latham Treatment Plant—covering reconstruction and replacement of aging underground digester gas and hot-water piping—is included in the CIP capital budget with a total project budget of about \$1.82 million.

~~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.² 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~~ <u>General Manager</u>	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%
<u>Large Agency Memberships except WEROC will be included in GF at 100%. (Will Include: CASA, Clean Water Social, WERF, etc.)</u>	<u>100%</u>
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-AdminSalary and Fringe **Benefits**: Regular sSalary 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~~ include CASA, Clean Water Social, 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 6.32 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-budgeted costs, plus reasonable administration and overhead costs, which are calculated proportionately based on the same overhead and administration methodology used for Member Agencies.

Unless otherwise specifically stated in an agreement, 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 3 ~~A 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 in a letter dated December 23, 2025 from Joone Lopez-Kim on behalf of MNWD.

~~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%
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(0)(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	16.620%	13.296
SCWD	~~18.829~~ 12.47%	~~15.063~~ 9.976
~~MNWD-SCWD(1)~~ SMWD	~~64.551~~ 16.36%	~~51.645~~ 0.088
SMWD	55.40%	44.320
~~MNWD-SMWD(2)~~	9.15%	7.320
Total	100.000%	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 split 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 Rosebaum well, the Mission Street Well, and the total reclaimed water from the SMWD/CSJC intertie.~~
- ~~• Trabuco Canyon Water District (TCWD): Reclaimed water produced from the Robinson Ranch Water Reclamation Plant (RRWRP).~~
- 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 <u>Capacity</u> (mgd)	AWT (%)	<u>Liquids and Common</u> (%)
CLB	3.64	0	54.30%

EBS	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	~~457.5~~	~~100~~ 50%
~~ETWD~~ — <u>ETWD(1)</u>	~~32.2~~ 7.5	~~100~~ 50%
<u>Total</u>	<u>15.0</u>	<u>100</u>

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

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

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

(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 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%
EBS ~~DB~~	0.390	0.78%
ETWD	~~37.95~~ <u>58.151</u>	~~75.94~~ <u>16.30</u> %
<u>ETWD-MNWD(1)</u>	<u>21.924</u>	<u>43.85%</u>
<u>ETWD-IRWD(2)</u>	<u>7.880</u>	<u>15.76%</u>
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 processes (Liquids, Solids, 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).

PC 2 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 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% 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

(Or for all others...

- Small Purchases and 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% AWT
- 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

(Or for all others...

- Small Purchases and 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 2018¹.
9. Total Budget per Agency: Sum all allocated costs (including O&M, administrative, GF (if applicable), UAL, and OPEB) to derive the total budget attributable to each agency.
10. Allocation of Capacity Rights Transfer: Staff will allocate costs to contract agencies utilizing “care of (c/o)” methodology per the 2025⁵⁴ 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.

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.

The allocation methodology varies by project committee - some use average flows over multiple years, others incorporate solids loading calculations, and some account for special agreements between agencies (like the 2018 MNWD-SMWD agreement for solids allocation). Once the actual usage percentages are calculated and compared to budgeted percentages, any differences result in either disbursement of funds to agencies that were overcharged or collection of additional funds from agencies that were undercharged, with the final results reviewed through the Engineering and Finance Committees and recommended to the SOCWA Board of Directors before implementation. Table 9 provides a summary of the Use Audit Methodology with PC descriptions below Table 9.

Table 9: Use Audit Methodology Table

Project Committee (PC)	Method	O & M Costs - Variable	O & M Costs - Fixed	Capital Costs
PC 2	Variable	Liquids-related costs are based on each agency's prior calendar year flows to prepare the budget. Solids-related costs are based on each agency's three (3) year prior pounds (BOD + TSS)/2) to prepare the budget. The Use Audit process utilizes the actual FY totals for Liquids and the actual FY solids, along with the two prior FY solids totals.	Common costs are allocated based on the average ownership of liquids and solids capacity percentages, or $((L\% + S\%)/2)$.	For facilities or equipment with a service life equal to or greater than ~~5-3~~ years, or a value in excess of \$ ~~45~~ ,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 ~~participating agency member~~ based	Total costs are split 50/50 between fixed and variable. ~~Fixed is D~~ divided equally between each PC	Not applicable.

		on <u>proportionate share of</u> non-potable water production and projections.	<u>participating agency member.</u> Insurance is allocated equally amongst the Participating Member Agencies.	
PC 15	Variable	Liquids related costs are allocated based on the agency's prior calendar year's flows to prepare the budget. The Use Audit process uses the actual FY totals for Liquids. 100% of the AWT costs are <u>allocated attributed</u> to SCWD.	Common costs are allocated to the PC members based on their liquids <u>capacity</u> ownership allocations.	Plant Liquids and Common capital costs are allocated to the PC members based on their liquids ownership allocations. 100% of the AWT capital costs are allocated to SCWD.
~~PC 17~~	~~Variable~~	~~All variable O&M costs are allocated to MNWD unless otherwise stated in the Budget/Use Audit as an accompanying agreement or SOCWA Board action.~~	~~All fixed O&M costs are allocated to MNWD unless otherwise stated in the Budget/Use Audit as an accompanying agreement or SOCWA Board action.~~	~~Any designated capital costs will be allocated to the Budget/Use Audit based on the accompanying agreement or SOCWA Board action.~~
PC 21	Fixed	Not applicable.	<u>All O&M Costs are allocated to ETWD</u> each PC member based on percentage of <u>capacity ownership</u> .	<u>All costs are allocated to ETWD.</u> <u>Allocated to each PC member based on capacity ownership.</u> <u>Allocated to PC members based on percentage of ownership.</u>
PC 23	Fixed	<u>Not applicable.</u> <u>None or NA - All Costs are considered to be allocated using the Fixed method</u>	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	<u>Not applicable.</u> <u>Allocated to PC members based on fixed ownership.</u>	<u>All O&M Costs are allocated to PC members based on capacity ownership.</u> <u>Allocate</u> d to PC members	<u>All Capital Costs are allocated by ownership percentages to PC members based on capacity</u>

			based on fixed ownership.	<u>ownership. Allocated to PC members based on fixed ownership.</u>
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~~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 Ssolids loadings 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 20254, 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 in a letter dated December 23, 2025.

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

PC 5 (San Jaun 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 Ccosts 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 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 Rosebaum well, the Mission Street Well, and the total reclaimed water from the SMWD/CSJC intertie. For MNWD, it is the amount of reclaimed water produced from the Regional Treatment Plant (RTP) and the 3A Treatment Plant (split with SMWD). South Coast Water District (SCWD) is the total reclaimed water produced from the Coastal Treatment Plant (CTP). The Santa Margarita Water District (SMWD) is the combined sum of reclaimed water produced from the 3A Treatment Plant (split with MNWD), the Oso Creek Water Reclamation Plant (OCWRP), the Chiquita Water Reclamation Plant (CWRP), and the Nichols Water Reclamation Plant (NWRP). The Trabuco Canyon Water District (TCWD) is reclaimed water produced from the Robinson Ranch Water Reclamation Plant (RRWRP).~~

PC 15 (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 (EBS) is the average annual flow into CTP using daily flow readings (calculated from monthly meter read from the EBS 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.~~

Contracted Services

~~Contract services rendered through asset capacity rights transfer during the reorganization agreements follow where labor work per agency specific code, tangible goods costs, admin overhead, and UALOPER liabilities, if applicable, per the terms of the respective agreements.~~

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. 2026-09 on [November 5, 2026](#), superseding all previous versions.

Agenda Item

6

Finance Committee Meeting

Meeting Date: October 20, 2026

TO: Finance Committee
FROM: Amber Boone, General Manager
SUBJECT: Draft FY 25-26 Use Audit

Summary

The Use Audit flow and solids allocations were approved by the SOCWA Board on October 1, 2026. The percentages used in the report were then applied to the financials, ending in June 30, 2026, previously presented to the Finance Committee on September 22, 2026. There is a pending update to the committee regarding the actuarial model utilized to assess per agency OPEB & UAL liabilities that staff are still working on. The anticipated impact for reconciliation is described in the results sections prior to presentation of the summary draft FY 25-26 Use Audit tables which are included as attachments.

Results

The 2024 Reorganization Agreements did not provide a specific accounting of how liabilities for UAL and OPEB would be distributed post exit of Moulton Niguel Water District (MNWD). The current methodology was developed in 2018 and follows “Where Labor Worked”. SOCWA staff recognized that the previous method could potentially mis-account for future liabilities due to a reduced labor pool, albeit a long tail item since the methodology utilizes dollar weighted averages from 2002 to present, with updates annually. With the December 2024 exit of MNWD from SOCWA, the allocation methodology needed to be reviewed and revised to appropriately determine MNWD’s portion of the unfunded liability. Under the current methodology, MNWD’s portion of the June 30, 2025 unfunded liability was 43.99%. The updated methodology should also provide SOCWA with an approach that can be used to track/update the unfunded liabilities for the remaining member agencies. The results of this study should be available mid-December.

Table 1 tracks SOCWA member agency allocation shares from 2002 through FY 2025, combining early chart-based estimates from the “Long Term Liabilities Allocation Methodology” presentation from Bartel and Associates from the August 2018 SOCWA Finance Committee meeting with later calculated UAL and OPEB percentages. Please note that there were no updated labor numbers utilized until FY 2020-2021 Budget (p.12 of the FY 20-21 Budget Book), therefore, the record contains the 2002 through 2017 and then 2020 through present. MNWD remains the largest liability holder at roughly 44–45% for most of the period, while South Coast Water District holds a relatively steady 18–19% share and the City of Laguna Beach stays near 10.6–10.7%. Santa Margarita Water District’s allocation roughly doubles after FY 2022 as it absorbs the City of San Juan Capistrano’s share, and Trabuco Canyon Water District exits the table following its withdrawal. Most smaller agencies show little change over the full span. The bottom rows highlight the difference between the simple and official 2002–2017 averages and then calculates a theoretical share of percentages based on updated labor from FY 2025-26. The difference is - 0.11%, which represents a difference of \$2,725 on the \$2,477,818 UAL and OPEB liabilities.

Table 1: Historical labor from 2002 to present by Agency

Year	CLB	CSC	CSJC	EBS	ETWD	IRWD	MNWD	SCWD	SMWD	TCWD
2002	10.00%	0.70%	11.00%	0.50%	3.50%	0.80%	45.00%	19.00%	11.00%	0.02%
2003	10.20%	0.70%	10.80%	0.50%	3.60%	0.80%	45.50%	18.50%	11.50%	0.02%
2004	10.00%	0.70%	10.50%	0.50%	3.80%	0.80%	46.00%	18.00%	12.00%	0.02%
2005	10.00%	0.70%	10.30%	0.50%	3.70%	0.80%	45.00%	18.50%	11.50%	0.02%
2006	10.20%	0.70%	10.20%	0.50%	3.50%	0.80%	44.50%	18.50%	11.20%	0.02%
2007	10.00%	0.70%	10.50%	0.50%	3.40%	0.80%	43.50%	19.00%	11.50%	0.02%
2008	10.00%	0.70%	10.80%	0.50%	3.30%	0.80%	43.00%	19.00%	11.00%	0.02%
2009	10.20%	0.70%	11.00%	0.50%	3.50%	0.80%	43.50%	19.00%	10.50%	0.02%
2010	10.30%	0.70%	11.00%	0.50%	3.60%	0.80%	44.50%	19.00%	9.50%	0.02%
2011	10.50%	0.70%	10.50%	0.50%	3.70%	0.80%	46.00%	18.50%	9.20%	0.02%
2012	10.80%	0.70%	10.20%	0.50%	3.60%	0.80%	47.00%	18.00%	9.00%	0.02%
2013	11.00%	0.70%	10.00%	0.50%	3.50%	0.80%	46.50%	17.50%	9.00%	0.02%
2014	11.20%	0.70%	10.00%	0.50%	3.40%	0.80%	46.50%	17.00%	9.00%	0.02%
2015	11.30%	0.70%	10.20%	0.50%	3.40%	0.80%	47.50%	16.50%	9.00%	0.02%
2016	11.50%	0.70%	10.50%	0.50%	3.40%	0.80%	48.00%	16.00%	9.20%	0.02%
2017	12.00%	0.70%	12.00%	0.50%	3.50%	0.80%	42.00%	20.00%	10.00%	0.02%
2018										0.02%
2019										0.02%
2020	10.71%	0.68%	10.43%	0.47%	3.48%	0.76%	44.55%	18.77%	10.14%	0.02%
2021	10.72%	0.70%	10.38%	0.47%	3.45%	0.75%	44.24%	18.91%	10.36%	0.02%
2022	10.72%	0.70%	10.27%	0.47%	3.44%	0.75%	43.99%	18.96%	10.70%	0.02%
2023	10.72%	0.70%	—	0.47%	3.45%	0.76%	44.25%	18.91%	20.75%	—
2024	10.72%	0.70%	—	0.47%	3.44%	0.75%	43.99%	18.96%	20.97%	—
2025	10.72%	0.70%	—	0.47%	3.44%	0.75%	43.99%	18.96%	20.97%	—
Average 2002-2017	10.61%	0.70%	10.56%	0.49%	3.50%	0.79%	44.96%	18.43%	11.73%	0.02%
2002–2017 Avg (official)	10.62%	0.67%	10.33%	0.46%	3.57%	0.77%	45.27%	18.36%	9.93%	0.01%
FY26-27 O&MLabor	11.85%	1.41%		0.70%	0.96%	1.09%	20.38%	28.97%	34.64%	
Theoretical Average With Labor Update	10.67%	0.73%	10.56%	0.50%	3.39%	0.80%	43.88%	18.89%	12.35%	

SOCWA staff continues to complete the Use Audit but is providing a draft for the Committee to review based on commitments from the previous Finance Committee meeting. SOCWA staff recommends that the Use Audit should be approved at the November Finance Committee, despite the actuarial data not being ready due to the projected de minimis effect on the retirement liabilities.

Recommended Action: Information Item

Attachments: Draft FY 25-26 Use Audit

South Orange County Wastewater Authority
FY 2025-26 Use Audit by Member Agency
(in dollars)

	O&M			
	FY 2025-26 Budget	FY 2025-26 Actual	(Over)/Under Budget	% Expended
Member Agency				
City of Laguna Beach	\$1,800,493	\$1,648,411	\$152,082	91.6%
City of San Clemente	213,597	160,322	53,275	75.1%
El Toro Water District	146,409	128,465	17,945	87.7%
Emerald Bay Service District	106,556	113,277	(6,721)	106.3%
IRWD (c.o. El Toro W.D.)	165,800	129,420	36,381	78.1%
MNWD (C/O ETWD)	369,028	293,697	75,331	N/A
Moulton Niguel Water District	657,836	764,715	(106,879)	116.2%
Santa Margarita Water District	5,262,589	5,664,407	(401,818)	107.6%
MNWD (C/O SMWD)	86,430	68,587	17,843	N/A
South Coast Water District	4,401,379	3,469,618	931,760	78.8%
MNWD (C/O SCWD)	1,980,824	2,209,731	(228,907)	N/A
Total Member Agency	\$15,190,940	\$14,650,648	\$769,198	96.4%

Member Agency Administration and Residual Engineering Expenses Allocation Percentages

City of Laguna Beach	11.9%	11.25%	0.6%
City of San Clemente	1.4%	1.09%	0.3%
El Toro Water District	1.0%	0.88%	0.1%
Emerald Bay Service District	0.7%	0.77%	-0.1%
IRWD (c.o. El Toro W.D.)	1.1%	0.88%	0.2%
MNWD (C/O ETWD)	2.4%	2.00%	0.4%
Moulton Niguel Water District	4.3%	5.22%	-0.9%
Santa Margarita Water District	34.6%	38.66%	-4.0%
MNWD (C/O SMWD)	0.6%	0.47%	0.1%
South Coast Water District	29.0%	23.68%	5.3%
MNWD (C/O SCWD)	13.0%	15.08%	-2.0%
Total Allocation Percentages	100.0%	100.00%	0.0%

Administration Expenses	1,801,514	1,789,709	11,805
Less General Fund	(523,941)	(547,733)	23,792
Total Administration and Residual Engineering Expenses	1,277,573	1,241,977	35,596

	O&M			
	FY 2025-26 Budget	FY 2025-26 Actual	(Over)/Under Budget	% Expended
City of Laguna Beach	151,423	139,740	11,683	92.3%
City of San Clemente	17,964	13,591	4,373	75.7%
El Toro Water District	12,313	10,890	1,423	88.4%
Emerald Bay Service District	8,961	9,603	(641)	107.2%
IRWD (c.o. El Toro W.D.)	13,944	10,971	2,973	78.7%
MNWD (C/O ETWD)	31,036	24,898	6,138	N/A
Moulton Niguel Water District	55,325	64,827	(9,502)	117.2%
Santa Margarita Water District	442,589	480,188	(37,599)	108.5%
MNWD (C/O SMWD)	7,269	5,814	1,455	N/A
South Coast Water District	370,160	294,129	76,031	79.5%
MNWD (C/O SCWD)	166,589	187,325	(20,736)	N/A
Total Administration and Residual Engineering Expenses²	1,277,573	1,241,977	35,596	97.2%

Member Agency General Fund Expenses and Member Agencies Distribution Percentages

City of Laguna Beach	74,849	14.3%	78,248	14.9%
City of San Clemente	74,849	14.3%	78,248	14.9%
El Toro Water District	74,849	14.3%	78,248	14.9%
Emerald Bay Service District	74,849	14.3%	78,248	14.9%
IRWD (c.o. El Toro W.D.)				
Moulton Niguel Water District	74,849	14.3%	78,248	14.9%
Santa Margarita Water District	74,849	14.3%	78,248	14.9%
South Coast Water District	74,849	14.3%	78,248	14.9%
Total Member Agency (3)	523,941	100.0%	547,733	104.5%

South Orange County Wastewater Authority
FY 2025-26 Use Audit by Member Agency
(in dollars)

	O&M			
	FY 2025-26 Budget	FY 2025-26 Actual	(Over)/Under Budget	% Expended
*Member Agency Administration, Residual Engineering and General Fund Expenses and Change				
City of Laguna Beach	226,272	217,988	8,284	96.3%
City of San Clemente	92,812	91,838	974	99.0%
El Toro Water District	87,162	89,138	(1,976)	102.3%
Emerald Bay Service District	83,810	87,850	(4,040)	104.8%
IRWD (c.o. El Toro W.D.)	13,944	10,971	2,973	78.7%
MNWD (C/O ETWD)	31,036	24,898	6,138	80.2%
Moulton Niguel Water District	130,173	143,075	(12,901)	109.9%
Santa Margarita Water District	517,438	558,435	(40,998)	107.9%
MNWD (C/O SMWD)	7,269	5,814	1,455	80.0%
South Coast Water District	445,009	372,377	72,632	83.7%
MNWD (C/O SCWD)	166,589	187,325	(20,736)	112.4%
Total Member Agency	1,801,514	1,789,709	11,805	99.3%

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

	O&M			
	FY 2025-26 Budget	FY 2025-26 Actual	(Over)/Under Budget	% Expended
City of Laguna Beach	2,026,764	1,866,398	160,366	92.1%
City of San Clemente	306,409	252,160	54,249	82.3%
El Toro Water District	233,571	217,602	15,969	93.2%
Emerald Bay Service District	190,366	201,127	(10,761)	105.7%
IRWD (c.o. El Toro W.D.)	179,744	140,391	39,353	78.1%
MNWD (C/O ETWD)	400,063	318,595	81,469	79.6%
Moulton Niguel Water District	788,009	907,789	(119,780)	115.2%
Santa Margarita Water District	5,780,027	6,222,842	(442,815)	107.7%
MNWD (C/O SMWD)	93,699	74,401	19,298	79.4%
South Coast Water District	4,846,387	3,841,995	1,004,392	79.3%
MNWD (C/O SCWD)	2,147,413	2,397,056	(249,643)	111.6%
Total	16,992,454	16,440,358	552,096	96.8%

UAL & OPEB

City of Laguna Beach	\$265,622	\$228,199	\$37,423	85.9%
City of San Clemente	17,345	14,900	2,445	85.9%
El Toro Water District	85,237	73,171	12,066	85.8%
Emerald Bay Service District	11,646	10,025	1,621	86.1%
IRWD (c.o. El Toro W.D.)	18,584	15,900	2,683	85.6%
Moulton Niguel Water District	1,089,992	936,196	153,797	85.9%
Santa Margarita Water District	519,598	446,365	73,233	85.9%
South Coast Water District	469,794	403,621	66,173	85.9%
Total	\$2,477,818	\$2,128,377	\$349,441	85.9%

Total O&M Budget

City of Laguna Beach	\$2,292,387	\$2,094,597	\$197,789	91.4%
City of San Clemente	\$323,754	267,060	56,693	82.5%
El Toro Water District	\$318,808	290,773	28,035	91.2%
Emerald Bay Service District	\$202,011	211,152	(9,141)	104.5%
IRWD (c.o. El Toro W.D.)	\$198,328	156,291	42,037	78.8%
MNWD (C/O ETWD)	\$400,063	318,595	81,469	N/A
Moulton Niguel Water District	\$1,878,001	1,843,985	34,016	98.2%
Santa Margarita Water District	\$6,299,625	6,669,207	(369,582)	105.9%
MNWD (C/O SMWD)	\$93,699	74,401	19,298	N/A
South Coast Water District	\$5,316,182	4,245,617	1,070,565	79.9%
MNWD (C/O SCWD)	\$2,147,413	2,397,056	(249,643)	N/A
Total O&M Budget	\$19,470,272	\$18,568,735	\$901,537	95.4%

Amount Invoiced

\$19,470,271	\$18,568,735	-\$901,536	95.4%
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**South Orange County Wastewater Authority
FY 2025-26 Use Audit by Project Committee and Member Agency**

City of Laguna Beach	City of San Clemente	El Toro Water District	Emerald Bay Service District	IRWD (c.o. El Toro W.D.)	MNWD (C.O. ETWD)	Moulton Niguel Water District	Santa Margarita Water District	MNWD (C.O. SMWD)	South Coast Water District	MNWD (C.O. SCWD)	Total
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O&M Actual

Project Committee																								
PC 2 - Jay B. Latham Plant	\$	-	\$	-	\$	-	\$	-	\$	5,105,453	\$	-	\$	1,356,556	\$	2,162,069	\$	8,624,078						
PC 5 - San Juan Creek Ocean Outfall			124,569							415,230		68,587		93,464		47,662		\$ 749,511.84						
PC 8 - Pretreatment Program		9,215		35,753		7,695		5,657		23,861		-		45,231		80,040		35,774		243,225				
PC 12 SO- Water Reclamation Permits												35,651		54,646		-		16,074		106,372				
PC 15 - Coastal Treatment Plant/AWT		1,563,681						102,331								-		1,884,269		3,550,281				
PC 17 - Joint Regional Wastewater Reclamation		348				11,578						683,833		9,037		-		1,028		705,824				
PC 21 Effluent Transmission Main																-				0				
PC 23 North Coast Interceptor		1,489						64								-				1,553				
PC 24 - Aliso Creek Ocean Outfall		73,678				109,191		5,224		105,559		293,697				-		82,453		669,803				
Total		\$1,648,411		\$160,322		\$128,465		\$113,277		\$129,420		\$293,697		\$764,715		\$5,664,407		\$68,587		\$3,469,618		\$2,209,731		\$14,650,648

Total Admin, General Fund & Engineering	\$217,988	\$91,838	\$89,138	\$87,850	\$10,971	\$24,898	\$143,075	\$558,435	\$5,814	\$372,377	\$187,325	\$1,789,709
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Admin Allocation to Project Committees:

Project Committee												
PC 2 - Jay B. Latham Plant	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	90.1%	0.0%	39.1%	97.8%	58.9%
PC 5 - San Juan Creek Ocean Outfall	0.0%	77.7%	0.0%	0.0%	0.0%	0.0%	0.0%	7.3%	100.0%	2.7%	2.2%	5.1%
PC 8 - Pretreatment Program	0.6%	22.3%	6.0%	5.0%	18.4%	0.0%	5.9%	1.4%	0.0%	1.0%	0.0%	1.7%
PC 12 SO- Water Reclamation Permits	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	4.7%	1.0%	0.0%	0.5%	0.0%	0.7%
PC 15 - Coastal Treatment Plant/AWT	94.9%	0.0%	0.0%	90.3%	0.0%	0.0%	0.0%	0.0%	0.0%	54.3%	0.0%	24.2%
PC 17 - Joint Regional Wastewater Reclamation	0.0%	0.0%	9.0%	0.0%	0.0%	0.0%	89.4%	0.2%	0.0%	0.0%	0.0%	4.8%
PC 21 Effluent Transmission Main	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
PC 23 North Coast Interceptor	0.1%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
PC 24 - Aliso Creek Ocean Outfall	4.5%	0.0%	85.0%	4.6%	81.6%	100.0%	0.0%	0.0%	0.0%	2.4%	0.0%	4.6%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Admin Allocation to Project Committees:

Project Committee																								
PC 2 - Jay B. Latham Plant	\$	-	\$	-	\$	-	\$	-	\$	-	\$503,330	\$	-	\$145,592	\$	183,284.65	\$832,207							
PC 5 - San Juan Creek Ocean Outfall				71,358							40,936		5,814		10,031		4,040	132,180						
PC 8 - Pretreatment Program		1,219		20,481		5,339		4,387		2,023		-		8,462		7,891		3,839	-	53,641				
PC 12 SO- Water Reclamation Permits		-		-		-		-		-		6,670		5,387		-		1,725	-	13,783				
PC 15 - Coastal Treatment Plant/AWT		206,783		-		-		79,362		-		-		-		-		202,229	-	488,374				
PC 17 - Joint Regional Wastewater Reclamation		46		-		8,034		-		-		127,942		891		-		110	-	137,023				
PC 21 Effluent Transmission Main		-		-		-		-		-		-		-		-		-	-	-				
PC 23 North Coast Interceptor		197		-		-		50		-		-		-		-		-	-	247				
PC 24 - Aliso Creek Ocean Outfall		9,743		-		75,765		4,052		8,949		24,898		-		-		8,849	-	132,255				
Total		\$217,988		\$91,838		\$89,138		\$87,850		\$10,971		\$24,898		\$143,075		\$558,435		\$5,814		\$372,377		\$187,325		\$1,789,709

**South Orange County Wastewater Authority
FY 2025-26 Use Audit by Project Committee and Member Agency**

	City of Laguna Beach	City of San Clemente	El Toro Water District	Emerald Bay Service District	IRWD (c.o. El Toro W.D.)	MNWD (C.O. ETWD)	Moulton Niguel Water District	Santa Margarita Water District	MNWD (C.O. SMWD)	South Coast Water District	MNWD (C.O. SCWD)	Total
O&M USE AUDIT by Project Committee & Member Agency												
Project Committee												
PC 2 - Jay B. Latham Plant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,608,783	\$ -	\$ 1,502,148.44	\$ 2,345,353.45	\$9,456,285
PC 5 - San Juan Creek Ocean Outfall	-	195,927	-	-	-	-	-	456,166	74,401	103,495	51,703	881,692
PC 8 - Pretreatment Program	10,434	56,233	13,034	10,044	25,883	-	53,693	87,931	-	39,613	-	296,867
PC 12 SO- Water Reclamation Permits	-	-	-	-	-	-	42,322	60,034	-	17,800	-	120,155
PC 15 - Coastal Treatment Plant/AWT	1,770,464	-	-	181,693	-	-	-	-	-	2,086,498	-	4,038,655
PC 17 - Joint Regional Wastewater Reclamation	393	-	19,612	-	-	-	811,775	9,928	-	1,138	-	842,846
PC 21 Effluent Transmission Main	-	-	-	-	-	-	-	-	-	-	-	-
PC 23 North Coast Interceptor	1,686	-	-	114	-	-	-	-	-	-	-	1,800
PC 24 - Aliso Creek Ocean Outfall	83,422	-	184,956	9,276	114,508	318,595	-	-	-	91,302	-	802,058
Total	\$1,866,398	\$252,160	\$217,602	\$201,127	\$140,391	\$318,595	\$907,789	\$6,222,842	\$74,401	\$3,841,995	\$2,397,056	\$16,440,358

UAL & OPEB USE AUDIT by Project Committee & Member Agency

Project Committee												
PC 2 - Jay B. Latham Plant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 402,318.65	\$ -	\$ 157,808.41	\$ -	\$ 560,127
PC 5 - San Juan Creek Ocean Outfall	-	11,577	-	-	-	-	-	32,721	-	10,873	-	55,171
PC 8 - Pretreatment Program	1,276	3,323	4,383	501	2,931	-	55,373	6,307	-	4,162	-	78,256
PC 12 SO- Water Reclamation Permits	-	-	-	-	-	-	43,646	4,306	-	1,870	-	49,822
PC 15 - Coastal Treatment Plant/AWT	216,469	-	-	9,056	-	-	-	-	-	219,197	-	444,723
PC 17 - Joint Regional Wastewater Reclamation	48	-	6,595	-	-	-	837,176	712	-	120	-	844,651
PC 21 Effluent Transmission Main	-	-	-	-	-	-	-	-	-	-	-	-
PC 23 North Coast Interceptor	206	-	-	6	-	-	-	-	-	-	-	212
PC 24 - Aliso Creek Ocean Outfall	10,200	-	62,193	462	12,969	-	-	-	-	9,592	-	95,416
Total	\$228,199	\$14,900	\$73,171	\$10,025	\$15,900	\$0	\$936,196	\$446,365	\$0	\$403,621	\$0	\$2,128,377
	10.72%	0.70%	3.44%	0.47%	0.75%	0.00%	43.99%	20.97%	0.00%	18.96%	0.00%	100.00%

Total USE AUDIT by Project Committee & Member Agency

Project Committee												
PC 2 - Jay B. Latham Plant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,011,102	\$ -	\$ 1,659,957	\$ 2,345,353	\$ 10,016,412
PC 5 - San Juan Creek Ocean Outfall	-	207,504	-	-	-	-	-	488,886	74,401	114,368	51,703	936,862
PC 8 - Pretreatment Program	11,709	59,556	17,417	10,545	28,815	-	109,066	94,238	-	43,775	-	375,123
PC 12 SO- Water Reclamation Permits	-	-	-	-	-	-	85,967	64,340	-	19,670	-	169,977
PC 15 - Coastal Treatment Plant/AWT	1,986,933	-	-	190,749	-	-	-	-	-	2,305,696	-	4,483,378
PC 17 - Joint Regional Wastewater Reclamation	442	-	26,207	-	-	-	1,648,951	10,641	-	1,257	-	1,687,497
PC 21 Effluent Transmission Main	-	-	-	-	-	-	-	-	-	-	-	-
PC 23 North Coast Interceptor	1,892	-	-	119	-	-	-	-	-	-	-	2,011
PC 24 - Aliso Creek Ocean Outfall	93,621	-	247,149	9,739	127,476	318,595	-	-	-	100,894	-	897,474
Total	2,094,597	267,060	290,773	211,152	156,291	318,595	1,843,985	6,669,207	74,401	4,245,617	2,397,056	18,568,735

**South Orange County Wastewater Authority
FY 2025-26 Use Audit by Project Committee and Member Agency**

	City of Laguna Beach	City of San Clemente	El Toro Water District	Emerald Bay Service District	IRWD (c.o. El Toro W.D.)	MNWD (C.O. ETWD)	Moulton Niguel Water District	Santa Margarita Water District	MNWD (C.O. SMWD)	South Coast Water District	MNWD (C.O. SCWD)	Total
Budget Amount Invoiced												
Project Committee												
PC 2 - Jay B. Latham Plant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,542,041	\$ -	\$ 2,511,870	\$ 2,082,285	\$ 10,136,196
PC 5 - San Juan Creek Ocean Outfall	-	247,123	-	-	-	-	-	627,663	93,699	142,606	65,128	1,176,219
PC 8 - Pretreatment Program	17,759	89,105	18,700	13,410	38,319	-	133,197	95,979	-	52,795	-	459,265
PC 12 SO- Water Reclamation Permits	-	-	-	-	-	-	90,459	46,418	-	20,663	-	157,540
PC 15 - Coastal Treatment Plant/AWT	2,151,845	-	-	186,940	-	-	-	-	-	2,480,302	-	4,819,088
PC 17 - Joint Regional Wastewater Reclamation	-	-	-	-	-	-	1,579,496	-	-	-	-	1,579,496
PC 21 Effluent Transmission Main	-	-	14,539	-	7,686	15,978	-	-	-	-	-	38,203
PC 23 North Coast Interceptor	21,480	-	-	1,450	-	-	-	-	-	-	-	22,930
PC 24 - Aliso Creek Ocean Outfall	113,777	-	298,044	12,686	152,322	384,086	-	-	-	120,419	-	1,081,334
*Total	\$2,304,861	\$336,228	\$331,283	\$214,486	\$198,328	\$400,063	\$1,803,152	\$6,312,100	\$93,699	\$5,328,656	\$2,147,413	\$19,470,271

USE AUDIT Entry												
Project Committee												
PC 2 - Jay B. Latham Plant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (469,061)	\$ -	\$ 851,914	\$ (263,068)	\$ 119,784
PC 5 - San Juan Creek Ocean Outfall	-	39,619	-	-	-	-	-	138,776	19,297	28,238	13,426	239,356
PC 8 - Pretreatment Program	6,050	29,549	1,283	2,865	9,505	-	24,131	1,740	-	9,020	-	84,142
PC 12 SO- Water Reclamation Permits	-	-	-	-	-	-	4,492	(17,922)	-	994	-	(12,437)
PC 15 - Coastal Treatment Plant/AWT	164,913	-	-	(3,809)	-	-	-	-	-	174,607	-	335,710
PC 17 - Joint Regional Wastewater Reclamation	(442)	-	(26,207)	-	-	-	(69,455)	(10,641)	-	(1,257)	-	(108,001)
PC 21 Effluent Transmission Main	-	-	14,539	-	7,686	15,978	-	-	-	-	-	38,203
PC 23 North Coast Interceptor	19,587	-	-	1,331	-	-	-	-	-	-	-	20,918
PC 24 - Aliso Creek Ocean Outfall	20,156	-	50,895	2,947	24,846	65,491	-	-	-	19,525	-	183,860
Total	\$210,264	\$69,168	\$40,510	\$3,334	\$42,037	\$ 81,468.55	(\$40,833)	(\$357,107)	\$19,297	\$1,083,040	(\$249,643)	\$ 901,536