

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

**September 16, 2025
10:30 a.m.**

NOTICE IS HEREBY GIVEN that a Special Meeting of the South Orange County Wastewater Authority (SOCWA) Finance Committee was called to be held on **September 16, 2025, 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) 234-5452 AT LEAST TWENTY-FOUR (24) HOURS PRIOR TO THE SCHEDULED MEETING TO REQUEST SUCH ACCOMMODATIONS. THIS AGENDA CAN BE OBTAINED IN ALTERNATE FORMAT UPON REQUEST TO THE SOUTH ORANGE COUNTY WASTEWATER AUTHORITY'S SECRETARY AT LEAST TWENTY-FOUR (24) HOURS PRIOR TO THE SCHEDULED MEETING. MEMBERS OF THE PUBLIC HAVE THE OPTION TO PARTICIPATE IN AND MAY JOIN THE MEETING REMOTELY VIA VIDEO CONFERENCE FOR VISUAL INFORMATION ONLY (USE ZOOM LINK BELOW) AND BY TELECONFERENCE FOR AUDIO PARTICIPATION (USE PHONE NUMBERS BELOW). THIS IS A PHONE-CALL MEETING AND NOT A WEB-CAST MEETING, SO PLEASE REFER TO AGENDA MATERIALS AS POSTED ON THE WEBSITE AT WWW.SOCWA.COM, ON YOUR REQUEST, EVERY EFFORT WILL BE MADE TO ACCOMMODATE PARTICIPATION. FOR PARTIES PARTICIPATING REMOTELY, PUBLIC COMMENTS WILL BE TAKEN DURING THE MEETING FOR ORAL COMMUNICATION IN ADDITION TO PUBLIC COMMENTS RECEIVED BY PARTIES PARTICIPATING IN PERSON. COMMENTS MAY BE SUBMITTED PRIOR TO THE MEETING VIA EMAIL TO ASSISTANT SECRETARY DANITA HIRSH AT DHIRSH@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 949-234-5452. IF SUCH WRITINGS ARE DISTRIBUTED TO MEMBERS OF THE FINANCE COMMITTEE LESS THAN TWENTY-FOUR (24) HOURS PRIOR TO THE MEETING, THEY WILL BE AVAILABLE IN THE RECEPTION AREA OF THE AUTHORITY OFFICE AT THE SAME TIME AS THEY ARE DISTRIBUTED TO THE FINANCE COMMITTEE AND SENT TO ANY REMOTE PARTICIPANTS REQUESTING EMAIL DELIVERY OR POSTED ON SOCWA'S WEBSITE. IF SUCH WRITINGS ARE DISTRIBUTED IMMEDIATELY PRIOR TO, OR DURING, THE MEETING, THEY WILL BE AVAILABLE IN THE MEETING ROOM OR IMMEDIATELY UPON VERBAL REQUEST TO BE DELIVERED VIA EMAIL TO REQUESTING PARTIES PARTICIPATING REMOTELY.

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

Join Zoom Meeting
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AGENDA

1. Call Meeting to Order

2. Public Comments

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

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

Recommended Action: Committee Discussion/Direction and Action.

PAGE NO.

4. Approval of Minutes..... 1

- Finance Committee Meeting of August 19, 2025

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

5. Financial Policies Update..... 4

Recommended Action: Committee Discussion/Direction or Action.

6. Quarterly Investment Report Update..... 36

Recommended Action: Committee Discussion/Direction or Action.

7. Ocean Institute Partnership Proposal..... 39

Recommended Action: Committee Discussion/Direction or Action.

8. Adjournment

FINANCE COMMITTEE MEETING
September 16, 2025

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

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

Dated this 11th day of September 2025.



Lynda May, Assistant
SOUTH ORANGE COUNTY WASTEWATER AUTHORITY

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

Finance Committee

August 19, 2025

DRAFT

The Special Meeting of the South Orange County Wastewater Authority (SOCWA) Finance Committee was held on August 19, 2025, at 10:30 a.m. in-person and via teleconference from the Administrative Offices located at 34156 Del Obispo Street, Dana Point, California. The following members of the Finance Committee were present:

GAVIN CURRAN	City of Laguna Beach	Alternate Director
DENNIS CAFFERTY	El Toro Water District	Alternate Director
ERICA CASTILLO	South Coast Water District	Alternate Director [exited @ 11:30 am]
PAUL PENDER	Santa Margarita Water District	Alternate Director

Staff Participation:

AMBER BOONE	General Manager
JACK BECK	Accountant
ANNA SUTHERLAND	Staff Accountant
JAMES JONES	Superintendent of O&M
RONI GRANT	Capital Improvement Program Manager
MATT CLARKE	Chief Technology Officer
DANITA HIRSH	Executive Assistant/Clerk of the Board

Also Participating:

KATHRYN FRESHLEY	El Toro Water District
RICK SHINTAKU	South Coast Water District
JENNIFER LOPEZ	South Coast Water District
SAUNDER HUANG	South Coast Water District
KELSEY DECASAS	Moulton Niguel Water District

1. Call Meeting to Order

Chairperson Paul Pender called the meeting to order at 10:30 a.m.

2. Public Comments

None.

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

None.

4. Approval of Minutes

- Finance Committee Meeting of June 17, 2025.

ACTION TAKEN

A motion was made by Director Castillo and seconded by Director Curran to approve the Minutes for June 17, 2025, as submitted.

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

5. Financial Reports for the Months of May & June 2025

ACTION TAKEN

A motion was made by Director Castillo and seconded by Director Curran to recommend that the Board of Directors receive and file the Financial Reports for the Months of May & June 2025.

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

6. Cost Allocation Policy Update

An open discussion ensued regarding revisions, additions, and clarifications to the proposed Cost Allocation Policy.

The Finance Committee directed staff to incorporate the comments provided in the discussion and bring the updated version back to the Committee for review at the next meeting in September.

7. Financial Policies Update

An open discussion ensued regarding revisions, additions, and clarifications to the following SOCWA policies:

- Capitalization and Depreciation of Facilities & Equipment Policy
- Disposal of Surplus Property Policy
- External Auditor Policy; and
- Travel and Expense Reimbursement Policy

The Finance Committee directed staff to incorporate the comments provided in the discussion and bring the updated versions back to the Committee for review at the next meeting in September.

8. Adjournment

There being no further business, Chairperson Pender adjourned the meeting at 11:32 p.m.

I HEREBY CERTIFY that the foregoing Minutes are a true and accurate copy of the Minutes of the Special Meeting of the South Orange County Wastewater Authority Finance Committee of August 19, 2025, and approved by the Finance Committee and received and filed by the Board of Directors of the South Orange County Wastewater Authority.

Danita Hirsh / Assistant Secretary
SOUTH ORANGE COUNTY WASTEWATER AUTHORITY

Agenda Item

5

Finance Committee Meeting

Meeting Date: September 16, 2025

TO: Finance Committee

FROM: Amber Boone, General Manager

SUBJECT: Financial Policies Updates

Overview

On April 8, 2025, the SOCWA Executive Committee met to review the SOCWA Policy Handbook. The Executive Committee recommended that the SOCWA Finance Committee review the SOCWA Policies that have a financial impact on the organizational standard business practices.

SOCWA staff has included the updated policies based on feedback from the August 19, 2025 FCM for review and direction. The list of SOCWA Policies is included below for reference.

1. Capitalization and Depreciation of Facilities & Equipment
2. Cost Allocation Policy
3. Disposal of Surplus Property
4. External Auditor
5. Travel and Expense Reimbursement

Recommended Action: Committee Discussion, Direction, or Action.

Attachment: Capitalization and Depreciation of Facilities & Equipment Policy
Cost Allocation Policy
Disposal of Surplus Property Policy
External Auditor Policy
Travel and Expense Reimbursement Policy

Policy Establishing Guidelines or Capitalization and Depreciation of Facilities & Equipment

Purpose of Policy

To establish a systematic and rational system of accounting which aims to track the cost of tangible and intangible capital assets or groups of assets in compliance with Generally Accepted Accounting Principles ('GAAP') and relevant Governmental Accounting Standards Board ('GASB') pronouncements. It should be realized that depreciation is not a precise measurement of expense since all factors including the method, useful life, and salvage value are based on reasonable estimates.

General Policy

The South Orange County Wastewater Authority ("Authority") hereby establishes this Capitalization and Depreciation Policy to properly account for the monetary recording and depreciation of completed Capital Projects, Plant Equipment, Office Equipment, Laboratory Equipment, Technology Assets, and Intangible Assets. These recordings will be known as Capital Asset and Depreciation Schedules. This Policy will establish criteria that determine what is to be considered an asset for monetary recording purposes.

While these schedules will mainly be used for tracking costs and depreciation of certain assets, they may also be used to determine budgetary demands and the useful life of various equipment and assets. All assets will be depreciated on a straight-line basis.

The Authority shall maintain proper internal controls for safeguarding of all Authority assets. The Authority shall comply with all applicable legal requirements relevant GASB pronouncements, and other applicable federal, state, and local regulations. In the event of any conflict between GASB and this Policy, GASB will control.

Definitions

Capital Projects Construction - Actual physical projects completed, including the costs of studies directly related to the projects and done in conjunction with the construction of said projects, for the upgrade or rehabilitation of physical equipment currently owned by the Authority.

Capital Projects Studies - Analysis and completed reports for possible physical projects that are not to be undertaken within six months of the completion of said analysis.

Plant Equipment - Actual physical equipment that may or may not be part of the physical plant. This includes, but is not limited to: pumps, motors, vehicles, and small infrastructure.

Depreciation - Systematic allocation of the cost of a capital asset over its estimated useful life.

Useful Life - A period of time that each piece of equipment or asset should normally last before having to be replaced. This will vary depending on the type of equipment or asset, the general environment surrounding the equipment, and the actual use of the equipment.

Intangible Assets - Assets that lack physical substance, have a useful life extending beyond a single reporting period, and are nonfinancial in nature (e.g., software licenses, easements, patents).

Technology Assets - Computer hardware, software, telecommunication equipment, and other information technology resources.

Impairment - A significant and unexpected decline in the service utility of a capital asset.

Capital Projects

Construction Projects

All construction projects, upon completion and actual start-up of the equipment, will be capitalized and depreciated. The capitalized cost to be recorded and depreciated will include, but not be limited to: studies, design, construction and all equipment, construction management, legal, and administration expenses related to the project.

Direction from the Chief Engineer or Department Head as assigned by the General Manager will be sought to determine the useful life of the equipment installed for purposes of depreciation. These assets shall be properly accounted for on the Authority's books and depreciated over the useful life of the asset.

Repairs to existing fixed assets will generally be expensed and not subject to capitalization. Improvements to existing fixed assets will be presumed to extend the useful life of that fixed asset only if the cost of the improvement meets the \$5,000 threshold.

Project Studies

All studies or analyses that may be used to start Capital Construction Projects within six months will be deemed to have a useful life of three years. They will be considered assets and depreciated over their useful life. If the construction project starts before three years is up, the value of the study will be added to the construction project and depreciated over the life of the equipment installed.

Plant Equipment

All Plant Equipment purchased through operational budgets, with a value of \$5,000 or more and a useful life of more than three years shall be considered as a depreciable asset. This Capitalization threshold is applied to individual units of fixed assets. In other words, each quantity of one will need to meet the threshold.

The Chief Engineer or other Department Head as assigned by the General Manager will determine the useful life of any piece of Plant Equipment. These assets shall be properly accounted for on the Authority's books and depreciated over the useful life of the asset.

Repairs to existing fixed assets will generally be expensed and not subject to capitalization. Improvements to existing fixed assets will be presumed to extend the useful life of that fixed asset only if the cost of the improvement meets the \$5,000 threshold.

Office Equipment

Office Equipment will incorporate, but not be limited to: office furniture, cabinets, copiers, phone equipment, and other non-technology office infrastructure. All Office Equipment purchased through operational budgets, with a value of \$5,000 or more and a useful life of more than three years shall be considered as a depreciable asset.

This threshold will not be applied to components of fixed assets. For example, when purchasing a complete furniture system, all components will be considered one asset. The General Manager or designee will determine useful life of any piece of Office Equipment.

These assets shall be properly accounted for on the Authority's books and depreciated over the useful life of the asset. Repairs to existing fixed assets will generally be expensed and not subject to capitalization. Improvements to existing fixed assets will be presumed to extend the useful life of that fixed asset only if the cost of the improvement meets the \$5,000 threshold.

Laboratory Equipment

Laboratory Equipment will include, but not be limited to: analytical instruments, measurement devices, testing apparatus, sampling equipment, laboratory-specific furniture, and specialized scientific tools used for water quality testing, environmental monitoring, or other scientific procedures.

All Laboratory Equipment purchased through operational budgets, with a value of \$5,000 or more and a useful life of more than three years shall be considered as a depreciable asset. For specialized laboratory systems where multiple components function together as an integrated analytical unit, the components may be grouped together to meet the threshold.

The Environmental Service Manager, Lab Manager or other Department Head as assigned by the General Manager will determine the useful life of any Laboratory Equipment, which typically ranges from 5-10 years depending on the type of equipment, technological advancement in the field, and regulatory requirements. Calibration, maintenance, and normal repairs to Laboratory Equipment will generally be expensed and not subject to capitalization.

Special consideration shall be given to Laboratory Equipment that may require:

1. Regular recertification or calibration to maintain regulatory compliance
2. Specialized maintenance contracts with manufacturers
3. Replacement due to changes in regulatory testing requirements

The Authority shall maintain appropriate documentation for all Laboratory Equipment used for regulatory compliance purposes, including calibration records, maintenance logs, and certification documentation in accordance with applicable regulatory requirements.

Technology Assets

Hardware

All computer hardware, including but not limited to servers, desktop computers, laptops, tablets, and network equipment with a value of \$5,000 or more individually and a useful life of more than three years shall be considered as a depreciable asset. For integrated computer systems where components work together as a system, the components may be grouped together to meet the threshold.

The Chief Technology Officer or designee will determine the useful life of any technology hardware, which generally ranges from 3-5 years.

Software and Licenses

Software and license purchases or subscriptions with a value of \$5,000 or more and a useful life of more than one year shall be capitalized as intangible assets. This includes purchased software, software licenses, and internally developed software.

Software maintenance agreements and subscription-based software services shall be expensed unless they meet the criteria for capitalization as intangible assets.

Capitalization of Intangible Assets

In accordance with GASB Statement No. 51 and subsequent updates, intangible assets with a value of \$5,000 or more and a useful life of more than one year shall be capitalized. These include but are not limited to:

1. Software licenses
2. Patents and copyrights
3. Easements and rights-of-way
4. Water rights
5. Other non-physical assets with future economic benefit

Internally generated intangible assets shall be capitalized in accordance with GASB Statement No. 51, which requires capitalization only after the following criteria are met:

- Determination of the specific objective of the project and the nature of the service capacity expected
- Demonstration of technical or technological feasibility
- Demonstration of the intention, ability, and ongoing effort to complete or continue development

GASB Compliance

Asset Impairment

In accordance with GASB Statement No. 42 and subsequent updates, the Authority shall evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment has occurred. Impaired assets shall be written down and losses recognized in the financial statements according to GASB requirements.

Component Units

Assets owned by component units of the Authority shall be accounted for in accordance with GASB Statement No. 14, as amended by GASB Statements No. 39, 61, and subsequent updates.

Financial Reporting

Capital assets shall be reported in the government-wide financial statements in accordance with GASB Statement No. 34 and subsequent updates. Adequate disclosure shall be made in the notes to the financial statements regarding capitalization thresholds, depreciation methods, and other required information.

Asset Tracking and Inventory

The Authority shall maintain detailed records of all capital assets, including descriptions, locations, acquisition dates, costs, useful lives, depreciation, and other relevant information. A physical inventory of all capitalized assets shall be conducted at least once every two years and reconciled with the asset records.

Each department head shall be responsible for safeguarding the assets assigned to their department. The Finance Department shall maintain the master asset records for the Authority.

Disposition of Assets

When capital assets are sold or otherwise disposed of, the asset records shall be relieved of the cost of the asset and the associated accumulated depreciation. Any difference between the net book value of the asset and the proceeds from the disposition shall be recognized as a gain or loss in the financial statements.

Disposition of assets shall comply with all applicable laws and regulations, including California Government Code Section 54220 et seq. regarding surplus land and California Government Code Section 54235 et seq. regarding surplus residential property.

Policy Revisions

This document will be maintained and revised by the executive management staff in consultation with the Authority's legal counsel. Revisions will occur whenever applicable federal, state or local regulations change or otherwise as the need arises, but no less frequently than every five years.

Policy Approval and Adoption

This Policy has been reviewed by the Authority's Board of Directors and adopted by Resolution No. XXXX-XX on October 2, 2025, superseding all previous versions.

Cost Allocation Policy

Purpose

This policy establishes the methodology for allocating costs associated with the operation, maintenance, administration, and unfunded liabilities of the South Orange County Wastewater Authority (SOCWA). It ensures fair, transparent, and consistent distribution of costs among member agencies and project committees and shall govern the allocation of costs reflected in SOCWA's Budgets, including costs related to administration, operation, and maintenance, capital projects, information technology, fringe benefits, Unfunded Accrued Liabilities (UAL), and Other Post-Employment Benefits (OPEB).

Budget Components

SOCWA's budget consists of four principal components outlined below.

1. **Capital Improvement Plan (CIP) Budget** – The CIP Plan is a multi-year plan outlining SOCWA's planned investments in public facilities and infrastructure, and more specifically, the financing, location, and timing of capital improvement projects. The CIP Budget is created with input from the Engineering Committee. The CIP Budget includes maintenance costs not directly related to use of the Project facilities, including necessary capital improvements, repairs, adjustments, replacements, and extraordinary or standby maintenance, and incidental accounting and administrative costs in connection therewith. Any change to the cost allocation methodology for the CIP Budget set forth in this Policy must be made by the unanimous consent of all the SOCWA Board of Directors in accordance with Section 6.3.1 of the SOCWA Joint Powers Agreement.
2. **Operations and Maintenance (O&M) Budgets** – Operations and maintenance budgets are prepared for each Project operated and maintained by SOCWA and approved at or prior to each June meeting of the Board for the ensuing Fiscal Year. Operations and maintenance costs directly related to the use of the Project facilities, including necessary improvements, repairs, adjustments, and replacement costs in connection therewith, are paid by each Member Agency using the Project facilities in proportion to its use, consistent with Section 6.3.1 of the SOCWA Joint Powers Agreement. The O&M Budgets include (a) the estimated expenses of operating the Project; (b) the estimated expenses of maintaining the Project, (c) an estimate of income from operations, if any; and (d) the allocation of operation and maintenance expenses among the 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

Cost Allocation Policy

Budget is a subset of the O&M costs for a Project, the Administrative Budget also must be approved by a two-thirds (2/3) vote of the Participating Directors in that Project in accordance with Section 6.3 of the SOCWA Joint Powers Agreement. The Administration Budget includes the following:

- Department 03: Engineering. Greater than 60% of non-labor expenses (residual engineering) in this department are administrative in nature, which were combined with administrative expenses. Engineering labor is billed directly to Capital projects in the CIP Budget with minimal time billed to administration.
- Department 04: Administration. Includes administration and incidental accounting costs arising specifically from the operations and maintenance of the Project facilities.
- Department 05: Information Technology - Expenses are budgeted as direct costs where technology services or equipment are needed at SOCWA facilities or as indirect costs based on the IT pool of expenses. Department 05 expenses are distributed to all project committees and departments based on the "where labor worked" methodology.

- 4. General Fund Budget:** The General Fund Budget includes the general administrative expenses of SOCWA and the allocation among the Member Agencies of the amounts necessary to cover the General Budget expenditure. The General Fund Budget is allocated evenly among the six participating Member Agencies. If the General Fund Budget provides an allocation to the Member Agencies on some basis other than equal amounts, the General Fund Budget must be approved by the unanimous consent of all the Member Agencies in accordance with Section 6.1 of the SOCWA Joint Powers Agreement. General Fund Expenses are incorporated into the Administration Budget. Items included in the General Fund Budget include portions of the following categories, as allocated in Table 1.

Table 1: General Fund Expenses and Percentage Allocations

General Fund Allocation	
Salary and Fringe	
Regular Salaries-Admin	50% (General Manager) 50% (Executive Assistant)
Overtime Salaries-Admin	50%
Comp Time - Admin	50%
Other Expenses	
Car Allowance	50%
Public Notices/ Public Relations	100%

Cost Allocation Policy

Contract Labor/Part-Time Labor	25%
Audit	100%
Legal	40%
Management Support	0%
Outside Services	100%
Postage	20%
Office Supplies - Admin	100%
Office Equipment	100%
Miscellaneous	20%
IT Allocations into PC's & Depts.	5%

5. Other Budget Components:

- UAL
- OPEB

Cost Allocations

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

Engineering Allocations

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

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

Cost Allocation Policy

Administrative Cost Allocation

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

6.3.1 of the 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.

Contracted Services Allocations

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

Cost Allocation Policy

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 by 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.

The following chart Table 2 sets forth the current SOCWA Project Committees, Member Agencies, and Participating Agencies. "Participating Agencies" are agencies that have contracted capacity to other SOCWA Member Agencies and/or otherwise receive contracted services from SOCWA.

Table 2: SOCWA Member Agencies and Participating Agencies

Project Committee	Description	SOCWA Member Agencies	Participating 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	CLB, CSC, EBSD, ETWD, SCWD, SMWD	IRWD, MNWD,
PC 12	Recycled Water Permits	SCWD, SMWD	MNWD, TCWD
PC 15	Coastal WWTP	CLB, EBSD, SCWD	N/A

Cost Allocation Policy

PC 21	Effluent Transmission Main (ETM)	ETWD	IRWD
PC23	Effluent Transmission Main	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 (not a Member of SOCWA, Participating Agency)
- MNWD: Moulton Niguel Water District (not a Member Agency of SOCWA, Participating Agency)
- SCWD: South Coast Water District
- SMWD: Santa Margarita Water District
- TCWD: Trabuco Canyon Water District (not a Member Agency of SOCWA, Participating Agency)

PC 2 (JB Latham WWTP)

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

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

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

Cost Allocation Policy

PC 5 (San Juan Creek Ocean Outfall)

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

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

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

PC 8 (Pretreatment Costs)

PC 8 costs remain in the budget with direct costs billed to MNWD, per the Moulton Niguel Water District SOCWA Continued Services Agreement (Agreement #9), based on where labor worked.

PC 12 (Water Reclamation Permits)

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

- MNWD: The amount of reclaimed water produced from the Regional Treatment Plant (RTP) and the 3A Treatment Plant (split with SMWD).
- South Coast Water District (SCWD): The total reclaimed water produced from the Coastal Treatment Plant (CTP).
- Santa Margarita Water District (SMWD): The combined sum of reclaimed water produced from the Oso Creek Water Reclamation Plant (OCWRP), the Chiquita Water Reclamation Plant (CWRP), and the Nichols Water Reclamation Plant (NWRP), the acre-foot sum of the 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).

Cost Allocation Policy

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.3) (MNWD Capacity Rights in Project Committee 15), as noted in Table 5.

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

Agencies	Liquids (mgd)	AWT (%)	Common (%)
CLB	3.64	0	54.30%
EBSD	0.2	0	3.00%
SCWD	2.86	100	42.70%
Total	6.7	100	100.00%

PC 21 (Effluent Transmission Main) Costs

PC 21 O&M costs are budgeted and allocated according to hydraulic capacity ownership as set forth in the Assignment and Assumption Agreement (Agreement No.7, effective December 12, 2024) (Project Committees 21 and 24) as noted in Table 6. Please note that *IRWD costs are combined with ETWD costs, effective July 1, 2023, with 50% capacity rights to IRWD and 50% capacity rights to ETWD for ETM reach B/C/D, and IRWD and MNWD costs are combined with ETWD costs, effective December 12, 2024, with 23.29% allocated to ETWD, 23.29% allocated to IRWD, and 53.43% allocated to MNWD for Reach E.*

Table 6: PC 21 - Effluent Transmission Main (ETM) Capacity Summary Reach B/C/D/E (Owned and Maintained by SOCWA)

Agency	Hydraulic Capacity	Ownership Percentage (%)
ETWD - B/C/D	15	100%
ETWD – E	32.2	100%

Cost Allocation Policy

PC 23 (Effluent Transmission Main) Costs

PC 23 O&M costs are budgeted and allocated according to hydraulic capacity ownership as set forth in the November 22, 2006, Amendment No. 3 to the Agreement for Design, Construction, Use, Operation, Maintenance, Repair, and Replacement of Phase I North Coastal Interceptor Sewer Pipeline and Pumping Stations for AWMA for and on Behalf of PC No. 7-A as noted in Table 7.

Table 7: PC23 North Coast Interceptor

Agency	Ownership Percentage (%)
CLB	95.88
EBSB	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”)*

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

Agency	Hydraulic Capacity (mgd)	Ownership Percent (%)
CLB	5.500	11.00%
EBSB	0.390	0.78%
ETWD	37.955	75.91%
SCWD	6.155	12.31%
Total	50.000	100.00%

Cost Allocation Policy

Cost Allocation Principles for SOCWA Wastewater Treatment Facilities

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

Treatment Plant Cost Allocation Categories

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

PC 2 Cost Allocation Structure

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

- Electricity: 65.0% Liquids, 25.0% Solids, 5.0% Common/Liquids, 5.0% Common/Solids
- Natural Gas: 65.0% Liquids, 25.0% Solids, 5.0% Common/Liquids, 5.0% Common/Solids
- Chlorine/Sodium Hypochlorite: 50.0% Liquids, 50.0% Solids
- Polymer Products: 100% Solids
- Ferric Chloride: 100% Liquids
- Other Chemicals: 54.0% Liquids, 46.0% Solids
- Non-Control Chemicals: 50.0% Common/Liquids, 50.0% Common/Solids
- Laboratory Services: 75.0% Liquids, 25.0% Solids
- Grit Hauling: 100% Solids
- Capital projects follow the ownership allocations, depending on the type of project, that are presented as the Common-L or Common-S.

PC15 Cost Allocation Structure

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

Cost Allocation Policy

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
- 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.

Participating Agency Services

SOCWA provides services for non-member agencies through contractual agreements, such as laboratory and permitting services. The budget for these services are is provided to the participating agencies by March of each year for approval of continuation of services.

Budget Allocations

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

Cost Allocation Policy

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.
- 5-6. 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.
- 6-7. 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.
- 7-8. Allocation of General Fund Costs: Repeat the process outlined in Step 6 for General Fund costs, excluding contributions related to MNWD in accordance with the applicable reorganization agreements.
- 8-9. Allocation of UAL and OPEB Liabilities: Apply the board-approved allocation methodology (as established in November 2018) to determine the percentage allocation per agency. Multiply this percentage by the total UAL/OPEB liability, then apply the administrative cost percentage from Step 4 to allocate these costs to each PC or service.
- 9-10. Aggregation of Total Budget per Agency: Sum all allocated costs (including O&M, administrative, GF, UAL, and OPEB) to derive the total budget attributable to each agency.
- 10-11. Quarterly Billing Calculation: Divide the total budget per agency by four to establish the quarterly billing amount.

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 for a minimum of seven years.

Use Audit Allocation

The Use Audit is completed by applying established flow allocation methodologies, circulated annually for review to SOCWA member agencies, which distribute costs among member agencies based on their proportional usage of treatment facilities. The process involves collecting actual flow data (measured in million gallons per day) and solids loading data (calculated from BOD and TSS measurements) for each member agency during the fiscal year, then comparing these actual values against budgeted amounts to determine each agency's percentage share of total system usage.

The allocation methodology varies by project committee - some use average flows over multiple years, others incorporate solids loading calculations, and some account for special agreements between agencies (like the 2018 MNWD-SMWD agreement for solids allocation). Once the actual usage percentages are calculated and compared to budgeted percentages, any differences result in either disbursement of funds to agencies that were overcharged or collection of additional funds from agencies that were undercharged, with the final results reviewed through the Engineering

Cost Allocation Policy

and Finance Committees and recommended to the SOCWA Board of Directors before implementation.

The following provides the method for the Use Audit by PC:

PC 2

Member agency average flows for the FY were used in the flow allocation and applied proportionally from the total combined flow from each tributary trunk line. The PC 2 uses FY flows and three-year FY average solid loadings to reconcile the budgeted amounts. Solids loadings are calculated from adding the average FY BOD and TSS and, dividing by 2, and then multiplying the result by the flow and the 8.34 pounds conversion factor. In March 2018, PC2 members Moulton Niguel Water District (MNWD) and Santa Margarita Water District (SMWD) came to an agreement on how to allocate solids for budgeting and use audit purposes. The new method captures the influent loading at Plant 3A, as it was recognized that this allocation would isolate MNWD's solids contributions to JBL to a single variable. SMWD solids to JBL would then be the balance of solids contributed by the Oso Creek Water Reclamation Plant, 3A, and any other discharges to the Oso Trabuco line to JBL.

PC 12

The PC 12 method of production is detailed by member agency in the following narrative. San Juan Capistrano is the acre-foot sum of the 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

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

PC 17

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

Cost Allocation Policy

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. Due to liquid flow from CTP, the centrate flow is divided by 5 and distributed to each agency, then summed 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.

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 for the Disposal of Surplus Property

Purpose of Policy:

The Authority's Board of Directors has adopted this Policy for the Disposal of Surplus Property establishing the procedures to be followed for the final disposition of surplus property.

General Policy:

The South Orange County Wastewater Authority ("Authority" or "SOCWA") must periodically dispose of surplus property when it is either no longer repairable, no longer economical, being replaced with newer equipment, no longer needed, or has reached the end of its serviceable life.

The determination of what item is surplus and no longer usable or required by the Authority is made by the Department Head where the asset was used, with concurrence and final approval of the General Manager.

Under this policy, the Authority Board of Directors authorizes the General Manager to approve the disposal of surplus property with individual residual salvage values equal to or less than \$50,000, excluding any real property, water rights, easements, and rights of way, regardless of value. Individual surplus items with values more than \$50,000 shall require approval and authorization of the Board of Directors prior to disposal.

Classification of Surplus Property:

Once an item or asset has been identified as being surplus, the Department Head will classify the surplus property into one of four categories:

- **Miscellaneous:** Office furniture, office equipment, computers, machinery (including treatment process equipment), tools, and other small items.
- **Vehicles/Rolling Stock:** All vehicles, trailers, carts, or other types of rolling stock.
- **Technology Equipment:** Computers, servers, telecommunications equipment, mobile devices, and other electronic equipment.
- **Scrap:** Anything owned by the Authority that is determined to be of more value for its components or materials of construction than as a functioning item.

Responsibility:

It is the responsibility of the Finance Department, under the direction of the Department Head or General Manager where surplus property belonged, to conduct the disposal of surplus property in accordance with the procedures set forth in this Policy. Disposal of the excess property shall be made on an annual basis or necessary based on the disposal methods and procedures outlined below.~~The method used by the Authority to dispose of surplus property~~

Disposal Methods:

Public Auction

- All miscellaneous items that are still in usable condition and all vehicles regardless of their condition will be sold at a public auction based on the best judgement of the General Manager or designee. The preferred method of public auction shall be to utilize a third-party provider who specializes in the public sale of surplus equipment, including online auction platforms when appropriate. The auction company must be bonded and compliant with California Civil Code section 1812.600 et seq.
- In the event surplus material does not sell at a public auction, the surplus material may be sold for scrap value, recycled, or disposed of as waste.
- Authority employees who do not participate in the process of determining what items are selected for disposal as surplus property may bid on items sold at auction by third-party vendors. At no time shall an employee be allowed to purchase an item before an Auction. However, employees who determine which items are surplus, or employees who implement any portion of this policy, are prohibited from bidding on surplus Authority items.
- In the event the Authority chooses not to utilize a third-party vendor to conduct sales, no Authority employee may bid on or purchase surplus items.

Technology Equipment

- All technology equipment must be properly ~~removed of~~wiped-of data and software in accordance with the Authority's IT security policies prior to disposal.
- Technology equipment with remaining useful life may be sold at auction, offered to other public agencies, or donated to educational institutions.
- Obsolete technology equipment should be recycled through certified e-waste recyclers.

Scrap Material

- When a Department Head determines surplus items have negligible value, or the components of an item are worth more than the item as a whole, the General Manager or designee shall obtain at least two bids from scrap yards and shall select the vendor who provides the most value to the Authority.
- Value to the Authority shall be determined by several factors which may include ease of disposal, transportation costs, compliance with applicable rules and regulations, and dollar value of the surplus item(s).
- Authority employees may not bid on or purchase scrap material.

Recycling

- When surplus items or materials cannot be sold at auction or as scrap, a reasonable effort should be made to recycle material that is recyclable in accordance with California recycling regulations.

Donation

- When an item is not otherwise disposed of as listed above, items may be offered for donation to:
 - Local public schools
 - California Special Districts
 - Other California public agencies
 - Not-for-Profit Organizations with appropriate tax-exempt status
- All donations must be documented with appropriate receipts and approvals.

Transfer to Other Public Agencies

- Surplus property may be transferred to other California public agencies when in the best interest of the Authority.
- Such transfers shall be conducted in accordance with California Government Code provisions applicable to Authority.

Waste

- When, in the determination of the General Manager, surplus items are not able to be disposed of by one of the methods above, the item may be destroyed or disposed of as the General Manager sees fit, in accordance with all applicable environmental regulations.
- Prior to disposal, the Authority will determine whether the surplus waste contains any hazardous materials, and if hazardous materials are identified, the Authority shall appropriately segregate, label, document and dispose of such hazardous waste in compliance with all applicable law.

Disposal Procedures

Vehicles:

As vehicles are rotated out of fleet services, the Department Head or General Manager's designee will complete and file the Obsolete Vehicle Form in the business network.

The following information is required on the Obsolete Vehicle Form:

- Make, model, and vehicle identification number
- Authority asset number (if appropriate)
- Odometer reading
- Estimated residual value
- Reason the vehicle is no longer needed
- Signature of the General Manager indicating the vehicle is no longer needed and is surplus property
- Documentation of emissions compliance status when applicable

The following steps are completed in preparation and disposition of obsolete vehicles:

- Receive and complete the Obsolete Vehicle Form

- Provide copy of Obsolete Vehicle Form to Finance Department advising the vehicle will be disposed of
- Obtain the vehicle pink slips from Finance Department
- ~~Determine~~ Check that the proper disposal method was followed and obtain approval for disposal from General Manager
- Assure that all Authority paperwork, tools, equipment, and any Authority emblem(s) have been removed from the surplus vehicle
- Contact auction house(s) or online auction platforms
 - Designate date for removal of vehicles
- Once the vehicle is sold:
 - File Release of Liability with the Department of Motor Vehicles
 - Notify insurance company that vehicle is no longer owned by the Authority
 - Any payments received are forwarded to the Finance Department

Miscellaneous and Technology Equipment:

The appropriate Department Head or General Manager's designee will complete and file the Surplus Material Authorization Form.

The following information is required on the Surplus Material Authorization Form:

- Physical description of item
- Authority Asset Number (if appropriate)
- Estimated equipment hours or run time (if applicable)
- Estimated residual value
- Reason the item is no longer needed
- Signature of the department head indicating the item is no longer needed and is surplus property
- For technology equipment: confirmation that all data has been properly removed

The following steps are completed in preparation and disposition of miscellaneous and technology surplus property:

- Receive Surplus Material Authorization Form
- Provide copy of Surplus Material Authorization Form to Finance Department advising the item will be disposed of
- Determine proper disposal method and obtain approval from General Manager
- Contact auction house(s) or other appropriate disposal channels
 - Designate date for removal of item(s)
- Once the item is sold/disposed of:
 - Any payments received are forwarded to the Finance Department
 - Documentation of proper disposal is filed

Environmental Considerations:

The Authority will ensure that all disposal methods comply with current environmental regulations, including but not limited to:

- California E-Waste Recycling Act
- California Integrated Waste Management Act
- Resource Conservation and Recovery Act (RCRA)

- All applicable local ordinances

Finance Department Responsibilities:

Once the Finance Department receives either the Obsolete Vehicle Form or the Surplus Material Authorization Form, it will make a determination as to whether the vehicle, item, or material to be sold is carried on Authority books as an asset.

In cases where the item is a booked asset, the Finance Department will:

- Make the necessary adjustments to remove the item from the asset list
- Determine the appropriate allocation to be used to distribute the proceeds from the sale of the asset to the appropriate Project Committee General Fund
- Document the disposition in accordance with GASB requirements

Upon receipt of proceeds from the sale of the item, the Finance Department will credit the proper account fund. Unless otherwise provided by law or Authority agreement, all sums received from the disposal of property of the Authority not credited to a Project Committee General Fund shall be applied to the General Fund of the Authority.

Reporting:

The General Manager shall provide an annual report available for viewing by the Board of Directors summarizing all surplus property disposals from the previous fiscal year, including method of disposal and proceeds received.

Compliance With California Law:

This policy shall be implemented in accordance with all applicable California laws governing disposal of public agency property, including but not limited to relevant sections of the California Government Code.

Policy Approval and Adoption

This Policy has been reviewed by the Authority Board of Directors and adopted by Resolution No. XXXX-XX on October 2, 2025, superseding all previous versions.

External Auditor Policy

Purpose of Policy

The purpose of the External Auditor Policy is to set forth guidelines for the selection of an external audit firm for the South Orange County Wastewater Authority's ("Authority") annual independent audits.

General Policy

It is the policy of the Authority to provide for strict accountability of all funds and report of all receipts and disbursements, and to comply with all financial audit requirements and present financial statements in accordance with generally accepted accounting principles. The Authority is committed to obtaining independent audits of its financial statements performed with appropriate professional auditing standards as required by law. Audits play a vital role in the public sector by helping to preserve the integrity of public finance functions.

When hiring an external audit firm, it is the policy of the Authority to require in the contract that: (1) The audit be made by a certified public accountant or public accountant licensed by, and in good standing with, the California Board of Accountancy, and (2) The audit conform to the independent standards promulgated in the General Accounting Offices Government Auditing Standards, even for audit engagements that are not otherwise subject to generally accepted government auditing standards.

The Authority will consider entering into multiyear agreements of up to six consecutive fiscal years in duration when obtaining the services of independent auditors utilizing the Authority's Procurement Policy when selecting the external auditor.⁴—Such agreements allow for greater continuity and help to minimize the potential for disruption in connections with an independent audit. Multiyear agreements can also help to reduce audit costs. However, contract duration may be set with potential for yearly, or multi-year renewed options based on qualifications, experience, and overall satisfaction with performance. Authority shall direct its counsel to make recommendations for revisions to Audit services based on changes in law or recommended standards.

The Authority shall not employ a public accounting firm to provide audit services if the lead audit partner or coordinating audit partner having primary responsibility for the audit, or the audit partner responsible for reviewing the audit, has performed audit services for the Authority for six (6) consecutive years. Government Code §12410.6.

After an audit is received and filed by the Authority Board of Directors, a report thereof shall be filed ~~as public records~~ with each of the Authority's Member Agencies, and also with the Orange County Auditor-Controller, and shall be sent to any public agency or person in California that

submits a written request to the Authority in compliance with the California Public Records Act. The report shall be filed within 12 months of the end of the fiscal year or years under examination.

The General Manager or their designee shall ensure that any internal control deficiencies identified in an audit are corrected within six (6) months of the audit being received and filed by the Board of Directors, subject to Authority Board's direction and consideration of other appropriate actions.

Policy Revisions

The Authority Board of Directors may revise or amend this policy at its discretion. Staff will recommend revisions whenever applicable, Federal, State or Local Regulations change, or otherwise as the need arises. The General Manager is authorized to implement procedures under this Policy to ensure compliance with law and State Guidelines. Any change to this Policy must be ratified by the Board on a timely basis.

Policy Approval and Adoption

This Policy has been reviewed by the Authority Board of Directors and adopted by Resolution No. XXXX-XX on October 2, 2025, superseding all previous versions.

Policy Establishing Guidelines for Travel and Expense Reimbursement

Purpose of Policy

The purpose of this travel and expense policy is to set forth the procedures governing reimbursement for reasonable and necessary travel expenses and to establish certain procedures concerning travel authorization, documentation, and accounting in accordance with California Government Code Sections 53232.2 and 53232.3.

General Policy

To advance training, professionalism, and further the interests of the South Orange County Wastewater Authority ("Authority" or "SOCWA"), the Authority's Board of Directors authorizes attendance at Authorized Activities such as seminars and conferences by its employees and members. In addition, employees and members are sometimes required to travel both in and outside the State to conduct official Authority business. The Authority's objectives are to allow participation in Authorized Activities and official Authority business that: 1) are moderate, reasonable, and necessary; 2) provide uniform travel and expense treatment among employees and members; and 3) ~~ensure that members receive advance authorization from the Board of Directors and that~~ employees receive advance authorization from the General Manager or applicable Department Head for travel and expenses.

Definitions

Authorized Activities – Education, training or advocacy activities which relate to the Authority's business, have been approved in advance by the Board of Directors, General Manager or Department Head, and consist of: meetings with other agencies or cities, counties, or their staff; meetings with community groups or their staff; meetings with administrative or regulatory agencies, or their staff; meetings with legislators, or their staff; and conferences and seminars.

Conference - Any organized function (including training classes, professional organization meetings, ethics training, and other business meetings) that employees and members may attend that would benefit the Authority in some manner as determined by the Board of Directors, the General Manager, or Department Head.

Seminar/Workshop - A small group of professionals engaged in study, dialogue, or original research meeting regularly to exchange information and hold discussions.

Member - Any member of the Authority Board of Directors who is acting in their official capacity as a member of the Authority.

General Policy Guidelines

Decisions as to what travel is authorized are generally made through the budget formulation and Board of Directors review process. The necessity for travel and the mode of travel to be reimbursed will be determined after consideration of the availability and efficacy of remote

participation such as video and/or phone conference. Only travel expenses related to Authorized Activities or other official business will be reimbursed by the Authority.

Employees ~~and members~~ are expected to exercise good judgment and a regard for economy when incurring travel expenses.

Whenever possible, the Authority will prepay airfares, lodging costs, and conference registration fees. The General Manager or Department Head must approve all such payment requests in advance of any travel. Prepaid travel expenses may be made with an Authority credit card or from a personal credit card. Transportation and lodging costs must not be purchased using personal "rewards" credits or points; such rewards or credits do not translate to a cash value to be reimbursed by the Authority.

When traveling on official Authority business or for Authorized Activities, employees ~~and members~~ are encouraged to utilize their personal credit cards, if a SOCWA issued credit card is not available for use, and/or cash for all expenses, ~~other than those mentioned in paragraph D,~~ and then to request reimbursement for such expense if on an employee's personal credit card. However, in circumstances where the use of such credit cards and/or cash is deemed impractical, and where the total expense is expected to exceed one hundred dollars (\$100.00), the Authority may provide an advance of funds. Such advance shall not exceed one hundred percent (100%) of the total estimated expense.

Within fifteen (15) working days after completion of a trip, a travel expense report must be submitted to the Authority's Finance Department along with original receipts documenting lodging, rail or air fare, car rental, ride-share or taxi fare, parking fees, meals, conference registration fees, and any other expense for which reimbursement is requested. Adequate ~~detail~~details will be provided in the receipts to explain all expenses. All expenses shall be submitted on an expense report form approved by the Authority.

A companion may accompany the employee ~~or member~~ on an official trip, provided that his/her presence does not detract from the employee's ~~or member's~~ performance or duties. The Authority will not reimburse any expenses attributable to any companion.

In any situation where extraordinary travel expenses are expected to be incurred, or where this Policy does not adequately cover the situation or would work an undue hardship, the General Manager must authorize an exception in writing, in accordance with all legal restrictions.

All expense reimbursement records are public records subject to disclosure under the California Public Records Act (Government Code Section 7920.000 et seq.) on an annual basis through a SOCWA Board of Director's meeting. ~~All member expenses that do not fall within this Policy or the IRS reimbursable rates established in Publication 463 (or successor), shall be approved in advance by the Board of Directors, in a public meeting.~~

Transportation Guidelines

An employee ~~or member~~ may use any mode of transportation including airline, railroad, bus, or automobile. Reimbursement will be based on the parameters outlined below. Notwithstanding any other term in this Policy, the total daily transportation rate shall ~~not exceed \$600~~ be a reasonable cost of travel as determined by the Department Head and/or the General Manager.

Travel shall be by the most direct route. If an indirect route is used, any additional costs shall be at the employee's ~~or member's~~ personal expense. Whenever air travel is used, ~~advance notice shall be provided in order to receive~~ the most cost-effective ticket price shall be utilized based on the travel needs of the Authority. If "government" and/or "group" rates are available for transportation costs, they shall be utilized. Air travel reimbursement shall be limited to "coach" or "economy" fares where such service is available. Travel to and from airports shall ~~be by~~ the most cost-effective method.

Reimbursement for the use of private cars shall be at the rate established by the Internal Revenue Service (IRS) if the round trip does not exceed 300 miles. ~~For trips longer than 300 miles, including trips by employees that receive an Authority car allowance, reimbursement shall be limited to the lesser of the IRS rate, or coach fare for air travel.~~ Employees assigned and driving a company vehicle may not be reimbursed for mileage. ~~Employees who drive a personal vehicle and receive a car allowance from the Authority may not also be reimbursed for mileage unless the employee provides evidence that the employee's mileage expenses exceed the allowance, in which case the employee will only be reimbursed for the excess expense.~~ No reimbursement other than mileage reimbursement shall be made for expenses incurred en route to/from the authorized activity or official Authority business, other than tolls or parking, whenever a personal vehicle is used.

Reimbursement for use of rental cars will be allowed only when such use has been approved in advance by the General Manager or Department Head, as deemed necessary to conduct assigned Authority business or ~~authorized activities~~ Authorized Activities. The Authority will pay only for the equivalent of a compact to full-size model and all other upgrades will be at the employee's ~~or member's~~ expense. The Authority will reimburse for collision/damage insurance on rental vehicles.

Travel in Authority vehicles ~~by employees~~ may be approved when circumstances warrant it. When traveling in an Authority vehicle, Authority credit cards shall be used for the purchase of gas, oil, and other ~~supplies necessary~~ necessary supplies. These receipts shall note the license number of the vehicle used. If emergency repairs are necessary, every attempt shall be made to have the repairs charged to an Authority credit card. Whenever this is not possible, the employee ~~or member~~ to whom the car is assigned should pay for necessary repairs and seek reimbursement.

The use of rideshare services (such as Uber or Lyft) is authorized when it represents the most economical and practical means of ground transportation. Original receipts must be provided for reimbursement.

Lodging Guidelines

It is expected that hotel and motel reservations will be made in advance whenever possible. Lodging will be secured at a rate not to exceed the lower of any available "group" or "conference" rate, "Government rate" or comparable discounted rate. Notwithstanding any other terms in this Policy, the daily lodging rate shall be for a standard room.

Reimbursement for lodging shall be limited to the minimum number of nights required to conduct the assigned Authority business or for the authorized activity. If an early morning activity or business meeting would require travel the night before, in order to be there on time, the employee ~~or member~~ may be reimbursed for lodging at or near the activity or business meeting location. If the activity or business extends beyond a time on the last day that would allow the employee ~~or~~

~~member~~ to arrive home at a reasonable time, lodging at or near the activity or business location will be reimbursed in accordance with these guidelines. If an employee ~~or member~~ chooses for personal reasons to arrive earlier or stay later when traveling to/from an authorized activity or business meeting, the additional lodging and all other expenses related to this arrangement will be at the employee's ~~or member's~~ personal expense.

Generally, lodging is not a necessary expense unless the destination is more than 50 miles from the Authority's Administration Office, or the employee's ~~or member's~~ home (whichever is closer).

If a spouse or other family members share the employee's ~~or member's~~ lodging, reimbursement will be limited to the lowest cost rate for a single occupancy room. In no event will the Authority incur any additional expense due to a companion's travel with the employee ~~or member~~.

Any room service charges appearing on the lodging bill other than those covered under Section 6F, Section 7, and Section 8A.6, shall be the responsibility of the employee ~~or member~~ and shall be paid directly to the hotel or reimbursed to the Authority.

Any costs for telephone calls must be business related. Other local and long-distance telephone charges will be covered only when such calls are made in conducting official Authority business.

Internet access fees at lodging facilities will be reimbursed when used for Authority business purposes.

Meal Reimbursement Guidelines

When meals are associated with ~~member or~~ employee travel, the following policies and procedures will apply:

1. Reimbursement for breakfast and dinner meals shall not apply to trips that do not require an overnight stay, except under the following circumstances: (a) a breakfast or dinner meeting is arranged prior to or just after the conference to conduct Authority business or discuss Authority-related matters; or (b) the meeting or conference runs late requiring the employee ~~or member~~ to arrive home later than anticipated. Maximum daily allowances to cover such meals, not including meal tips, will be \$30.00 for breakfast, \$35.00 for lunch, and \$65.00 for dinner, not to exceed \$130.00 per day whenever an overnight stay is not required. No reimbursement shall be made for alcohol.
2. For travel that requires more than a full day, meal reimbursements shall be limited to a maximum of \$130.00 per day, not including meal tips or room service fees, with no single meal exceeding \$65.00. If a receipt is to be split between two or more employees ~~or members~~, then the names of each, along with their respective charges, is to be noted on the original detailed receipt before copies are made. No reimbursement shall be provided for meals hosted by others or through conference attendance. Room service charges are a not a reimbursable expense.
3. Per IRS regulations, meal expenses incurred when there is no overnight stay are taxable to the employee as wages.

Miscellaneous Expense Guidelines

For miscellaneous expenses associated with travel, employees ~~and members~~ will be reimbursed for all receipted business expenses necessary to conduct the assigned Authority business or authorized activity. Examples include:

1. Airport parking charges when air transportation is used.
2. Parking charges at the destination hotel or garage when transportation is by private car.
3. Airport bus charges or taxi fares where airport bus service is not available.
4. Conference registration fees.
5. Local transportation (only as required for official Authority business).
6. A reasonable amount will be allowed for laundry and dry cleaning for employees ~~and members~~ attending a conference of five days or more in length.
7. No reimbursement will be made for personal expenses such as newspapers, magazines, haircuts, shoeshine, personal telephone calls in excess of one per day, alcohol, in-room movie fees, and other incidental personal expenses.
8. Baggage fees for the first checked bag when traveling by air.
9. Wi-Fi or internet access charges when used for Authority business purposes.

Policy Revisions

This document will be maintained and revised by the Authority management staff in consultation with the Authority's legal counsel and upon approval by the Authority's Board of Directors. Revisions will occur whenever applicable federal, State, or local regulations change, or otherwise as deemed necessary.

Policy Approval and Adoption

This Policy has been reviewed by the SOCWA Board of Directors and adopted by Resolution No. [XXXX-XX] on October 2, 2025.

Agenda Item

6

Legal Counsel Review: Yes

Meeting Date: September 16, 2025

TO: Finance Committee

FROM: Amber Boone, General Manager

SUBJECT: Quarterly Investment Reporting Under Government Code Section 53646

Summary

At the May 20, 2025, the Finance Committee asked SOCWA staff to investigate quarterly reporting of investments. This staff report provides an update on the quarterly investment reporting requirements applicable to our Joint Powers Authority (JPA) under California Government Code Section 53646. Given our current investment in the Local Agency Investment Fund (LAIF), certain simplified reporting provisions apply that reduce our administrative burden while maintaining optional compliance with state law.

Background

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

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

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

Table 1 provides the reportable due dates for compliance with the Quarterly Investing report. It is noted that the August 14, 2025, due date passed for Q4 2025 posting due to publication timelines for the August 19, 2025, Finance Committee. Staff will utilize the calendar in Table 1 for adherence to the reporting schedule moving forward.

Table 1: Reportable Due Dates

Quarter	Quarter-End Date	Report Due Date
Q4 2025	6/30/2025	8/14/2025
Q1 2026	9/30/2025	11/14/2025
Q2 2026	12/31/2025	2/14/2026
Q3 2026	3/31/2026	5/15/2026

Reportable Action

The direction from the Finance Committee was to provide information based on the information presented at the May 20, 2025, Finance Committee Meeting. Therefore, attached are the LAIF statements ending FY Q4 (June 30, 2025).

No other investments were made outside of LAIF, in compliance with the Investment Policy. All expenses were met, concluding June 30, 2025, with ample liquidity to meet the Authority's expenses. The Annual Use Audit, with oversight by the External Auditor, will reconcile the funds to be refunded to SOCWA Member Agencies. No additional funds were requested by the close of FY 24-25, Q4, ending June 30, 2025.

Recommended Action: Committee Discussion, Direction, or Action

Attachments: LAIF Statements for Q4 2025



MALIA M. COHEN
California State Controller

LOCAL AGENCY INVESTMENT FUND
REMITTANCE ADVICE

Agency Name	SO ORANGE CO WSTWTR AUTH
Account Number	Private

As of 7/15/2024, your Local Agency Investment Fund account has been directly credited with the interest earned on your deposits for the quarter ending 6/30/2024.

Earnings Ratio		0.00012419067099490
Interest Rate		4.55%
Dollar Day Total	\$	1,281,337,790.31
Quarter End Principal Balance	\$	13,491,349.83
Quarterly Interest Earned	\$	159,130.20

Agenda Item

7

Finance Committee Meeting

Meeting Date: September 16, 2025

TO: Board of Directors
FROM: Amber Boone, General Manager
SUBJECT: Ocean Institute Partnership Opportunity Funding Strategy

Executive Summary

The SOCWA Board met on September 4, 2025 and directed SOCWA staff to review the fiscal impact of a new partnership with the Ocean Institute.

Fiscal Impact

Following the board's request for details on how to pay for this sponsorship, the proposal allocation is contained herein with two cost-splitting options for the \$50,000 sponsorship among member agencies and participating agencies: (1) proportional split based on each agency's percentage of the total O&M before Admin, GF, UAL, and OPEB; and (2) equal split among the 6 board-represented member agencies (City of Laguna Beach, City of San Clemente, El Toro Water District, Emerald Bay Service District, Santa Margarita Water District, and South Coast Water District). Note that under the proportional split, additional carry-over and other allocations are billed separately as shown.

Option 1: Proportional Split Based on O&M Percentages

Agency	Percentage	Amount (\$)
City of Laguna Beach	11.85%	5,925
City of San Clemente	1.41%	705
El Toro Water District	0.96%	480
Emerald Bay Service District	0.70%	350
IRWD (C.O. ETWD)	1.09%	545
MNWD (C.O. ETWD)	2.43%	1,215
Moulton Niguel Water District	4.33%	2,165
Santa Margarita Water District	34.64%	17,320
MNWD (C.O. SMWD)	0.57%	285

South Coast Water District	28.97%	14,485
MNWD (C.O. SCWD)	13.04%	6,520
Total	100.00%	50,000

Option 2: Equal Split Among 6 Board-Represented Agencies

Agency	Amount (\$)
City of Laguna Beach	8,333.33
City of San Clemente	8,333.33
El Toro Water District	8,333.33
Emerald Bay Service District	8,333.33
Santa Margarita Water District	8,333.33
South Coast Water District	8,333.33
Total	50,000

Additionally, below is a comparison of payment structures: flat fee versus annual basis. The sponsorship covers a five-year period, so the annual option assumes equal payments spread over five years (e.g., \$10,000 per year).

Payment Structure	Flat Fee (\$50,000 One-Time)	Annual Basis (\$10,000/Year for 5 Years)
Pros	Secures full partnership upfront	Spreads financial impact over multiple fiscal years
	Simplifies administration	Improves cash flow and budget flexibility
	Cost certainty without future adjustments	Allows for annual review or adjustments if needed
	Possible discount for upfront payment (to be negotiated)	
Cons	Larger immediate impact on current fiscal year's budget	May involve additional administrative effort for recurring payments
	Requires immediate availability of funds	

Minor internal costs for content development are anticipated regardless of the chosen option. The sponsorship would need a budget adjustment due to no budgeted funds for Public Relations for FY 25-26.

Recommended Action: Committee Discussion, Direction, or Action.