



OJAI VALLEY SANITARY DISTRICT

A Public Agency

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MEETING OF THE FINANCE COMMITTEE

Date & Time:
March 19, 2015
Thursday, 1:00 p.m.

Members:

Location:
OVSD Board Room

Peter M. Kaiser
William C. Murphy
John R. (Randy) Burg, Chairman

A G E N D A

1. **Public Comment - (Items not on the agenda - 3 minute limit)**

FOR DISCUSSION & RECOMMENDATION

2. **Vesting For Connection Fees**
3. **Reserve Fund Balances & Restructure**

FOR DISCUSSION & REVIEW

4. **General Discussion**
 - a. Audience
 - b. Committee Members
 - c. General Manager

A staff report providing more detailed information is available for most agenda items, and may be reviewed in the District office during regular business hours. Copies of individual reports may be requested from Brenda Krout (646-5548).

ATTEST TO POSTING:

Brenda Krout – Clerk of the Board

March 16, 2015 @ 3:00 p.m.
Date & Time Posted At District Office

ITEM #2

Memorandum

Ojai Valley Sanitary District

March 16, 2015

To: Finance Committee – Peter M. Kaiser, William C. Murphy & John R. Burg
From: Jeff Palmer – General Manager
Subject: Vesting For Connection Fees 

Since 1964 the District has had a connection fee for new properties that connect to the system. This fee is essentially a capital fee for new properties to “buy” or pay for the collection system and treatment plant. Since the system has been built with excess or available capacity, each new property is connecting to a system that was built on their behalf. The system is there, available for use, whenever and where ever they connect. As the system has been expanded and rebuilt due to new regulations, the fee has been modified. In addition, an escalation in the fee has been implemented to account for increasing costs of construction.

Those fees are then put in a reserve fund and go to repair, replace and keep the system in good working order. Therefore, the capacity of the system is maintained and doesn't degrade over time.

Each new single dwelling unit pays the applicable fee when a permit is pulled. In some cases, the unit is not built and connected for some time, even years. And, in some cases, the unit is never built. However, the property owner “owns” that capacity unit and even if they buy it and then years later they build their unit. We don't just sell capacity units to people to stockpile; they have to have a legitimate reason. We also don't allow for units to be bought for one property then used on another or traded or privately sold in any way. This is not a market where the capacity units can be bought, sold and/or traded.

The fees started at \$75 in 1964 and today are over \$16,000.

The issue that is before us is really a financial liability question. We have traditionally bought the un-used capacity units back at the price it was bought for at the time. If a property buys the capacity unit, never uses it, changes or reduces the size of the project or wants to return it, we will pay for it, again, at the price it was bought for at the time.

For the unpermitted connection program, the issue is: “Should there be a vesting schedule for the capacity unit?” If the capacity unit is bought and paid for, and used for a period of time, should it then be available to be re-sold back to us at the same price it was bought for?

Since the collection system and treatment plant is continually updated and those funds are used to complete rehabilitation projects, should those funds also then be able to be refunded, in total? For instance, major relining projects have been and are being contemplated to reduce Inflow and Infiltration as are Treatment Plant projects to meet new

nutrient reduction regulations. Properties benefit from those improvements that the District is required to make. Should those properties benefit from those improvements then be able to get a refund of the capacity charges, in full, later?

Staff is evaluating whether or not a vesting schedule, such as 10 years, whereby the capacity charge refund potential is reduced 1/10 each year over ten years. After 10 years, there would be no refund available and the maximum would still remain the amount paid at the time the permit was paid for.

ITEM #3

Memorandum

Ojai Valley Sanitary District

March 16, 2015

To: Finance Committee – Peter M. Kaiser, William C. Murphy & John R. Burg
From: Jeff Palmer – General Manager
Subject: Reserve Fund Balances & Restructuring



The District maintains a number of reserve funds to allocate funds for specific purposes, save for capital projects and fund the day to day operations of the District. The District primarily uses the tax roll to collect sewer service charges, with a few large accounts or properties that don't pay property taxes billed on a monthly basis. This system keeps the overall billing and collection system costs to a minimum, but requires the District to plan for a surge in revenue in December and April and fund the annual operating and project costs. As such, available cash and reserve fund balances go up and down in an annual cycle.

Below is a list of the reserve funds based on the highlighted Balance Sheet from February 2015:

1. Green: This is available cash based on the surge in December 2014 tax receipts that will fund operations through April 2015.
2. Light Pink: This is a fund, of employee funds, that are set aside for employee deferred compensation. It is accounted for by the District but is actually employee savings.
3. Yellow: These funds were established by the Board and were established for specific reasons as noted by the definition.
4. Pink: These are the collection system reserve funds that are funded by a combination of connection fees and an annual set aside from the general fund.
5. Blue: These are the treatment plant reserve funds that are funded by a combination of connection fees and an annual set aside from the general fund.
6. Orange: These are savings accounts used to pay the 2003 and 2007 bond funds.

Also attached is a summary of the total of bond fund and interest payments for the two debt issues.

As the District implements the I&I rehabilitation on the Collection System and the Nutrient TMDL project at the Treatment Plant, the reserve funds will be impacted. The Collection System has much lower reserves than the Treatment Plant due to completion of the Ventura Avenue Project and the Meiners Oaks Siphon. The I&I Masterplan indicated that between \$15-43M will be needed on the Collection System and \$15M will be required on the Nutrient TMDL project. These values are estimates and staff believes that there may be alternatives for cost savings, grant funds and pay-as-you-go options.

Regardless, a rebalancing of the funds and the annual set aside amounts may be necessary.

Staff will present a presentation at the Committee meeting of some options and issues to be discussed and then to be included in the development of the FY 15-16 and FY 16-17 Annual Budgets.

OVSD - MEMO

Balance Sheet

February 2015

ASSETS			
Current Assets			
TOTAL CASH PURPOSE			①
AVAILABLE CASH	2,916,480.39		②
DEFERRED COMPENSATION	1,288,399.39		③
CONTINGENCY & STABILIZATION FUND	1,635,509.18		④
COLLECTION SYSTEM REPLACE RSV	822,508.73		④
C/S - CONN FEES LOCAL	914,561.41		⑤
C/S CONN FEES - TRUNK	66,914.90		⑤
EQUIPMENT REPLACEMENT	1,297,011.37		
TREATMENT PLANT EXPANSION	1,597,434.96		
VEHICLE REPLACEMENT	216,431.64		⑥
TREATMENT PLANT REPLACE RSV	6,837,274.24		
BUILDING RESERVE	70,593.97		
FUTURE PURCHASE RESERVE	294,839.49		
2003 BOND PAYMENT RESERVE	669,725.27		
2007 DEBT ISSUE PAYMENT RESERVE	964,181.39		
TREATMENT PLANT UPGRADE	585,242.60		
TOTAL TOTAL CASH PURPOSE	20,177,108.93		
TOTAL Current Assets		20,177,108.93	
TOTAL ASSETS		20,177,108.93	
LIABILITIES			
Current Liabilities			
ALLOCATE CASH TO PURPOSE		20,177,108.93	
TOTAL Current Liabilities		20,177,108.93	
TOTAL LIABILITIES		20,177,108.93	
CAPITAL			
Year-to-Date Earnings		0.00	
TOTAL CAPITAL		0.00	
TOTAL LIABILITIES & CAPITAL		20,177,108.93	

Cost of Debt Issues

	Principal	Interest		Total Cost for life of Debt	
2003 Debt issue (previously 1927 Syst Rehab issue)	\$7,285,000.00	\$6,403,909.50		\$13,688,909.50	Final Pymt. FY 2023-24
2007 Debt Issue Collection Rehab Ventura Ave. Improvement Project	\$7,310,000.00	\$5,742,230.39		\$13,052,230.39	Final Pymt. FY 2037-38