

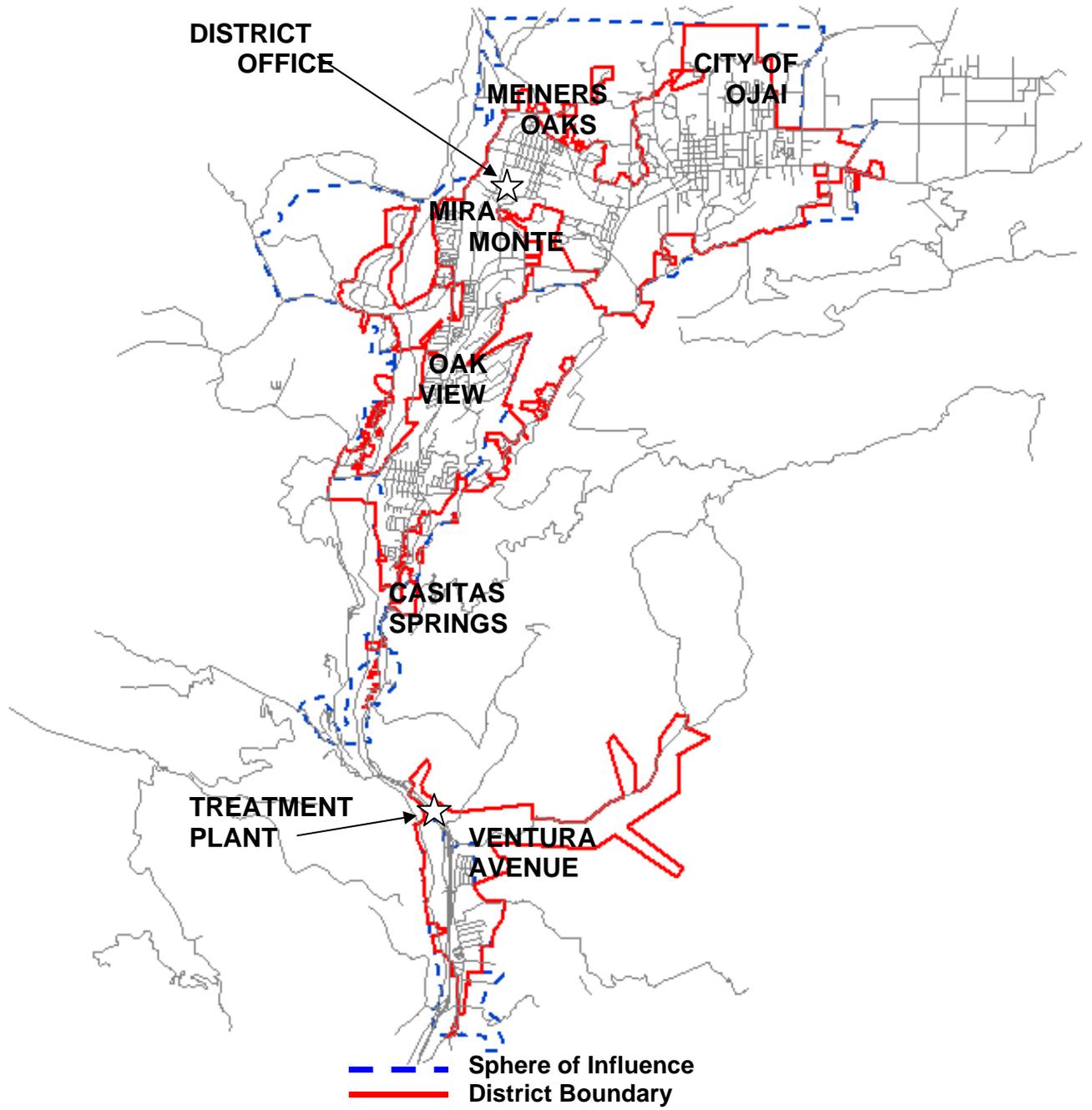
OJAI VALLEY SANITARY DISTRICT



**Final Budget
Fiscal Year 2012-13**

Adopted May 2, 2012

Ojai Valley Sanitary District



**OJAI VALLEY SANITARY DISTRICT
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**EXECUTIVE
SUMMARY**

Executive Summary

May 2, 2012

Board of Directors
Ojai Valley Sanitary District
Ojai, CA 93023

FISCAL YEAR 2012-2013 Final BUDGET

I am pleased to present to the Board the Ojai Valley Sanitary District's Final Budget for Fiscal Year 2012-2013.

This Final Budget has been prepared with the following information:

- 2.3% increase in wages matching the CPI increase
- No increase in employee benefits
- anticipated 3.0% increase in health insurance costs
- Use of Contingency & Stabilization Reserve to maintain rates

Overall, the basic rate is proposed to be unchanged from last year. The final budget has been prepared with two over-arching concepts: (1) "Pay as you go" and (2) "Living within our means". In addition, the Five-Year Capital Improvement Plan has been prepared for overall planning for major projects.

Due to continued attention to efficiency efforts, the final budget includes many areas of savings that offset price and cost increases.

Operating Expenses increased 8.7 percent primarily due to the amount of computer related equipment scheduled for replacement this year and increased number of manholes to be raised following scheduled City of Ojai and County of Ventura street overlays. Total Expenses (which includes contributions to the Reserve funds) increased by 5.4 percent because the Treatment Plant Expenses decreased which offset a portion of the increase in other areas.

Income estimates increased by 0.8 percent primarily due to increased accuracy in our Customer Database and implementation of the Unpermitted Program which combined has resulted in increasing the Service Unit count by 108.

This Budget has been prepared in accordance with the 2011 Strategic and Operations Plans.

Operating Budget

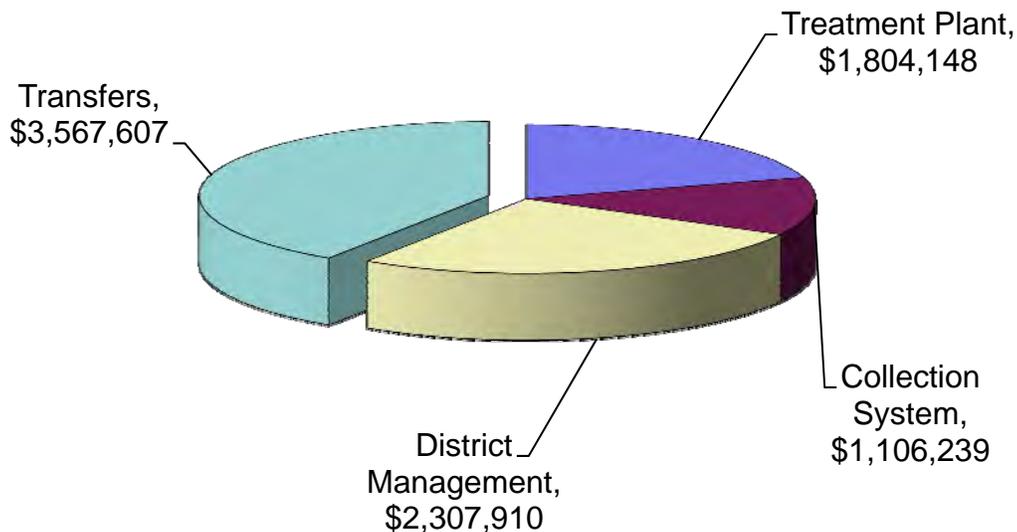
The operating budget is the routine operation and maintenance of District facilities and services at their existing service level and does not directly include funds for upgrades, increased capacity, or betterments. The operating budget is broken down in several different ways in the following material.

Expenses By Activity

Historically the District has used its funds for four major activities: Treatment Plant, Collection System, District Management and transfers to specific reserves. A transfer is not really an activity, but rather the source of funding for special projects. Transfers will be explored in more depth below. The budget is broken down into these four activities as shown in the following chart.

The following table compares the FY 2012-13 budget to the current year budget

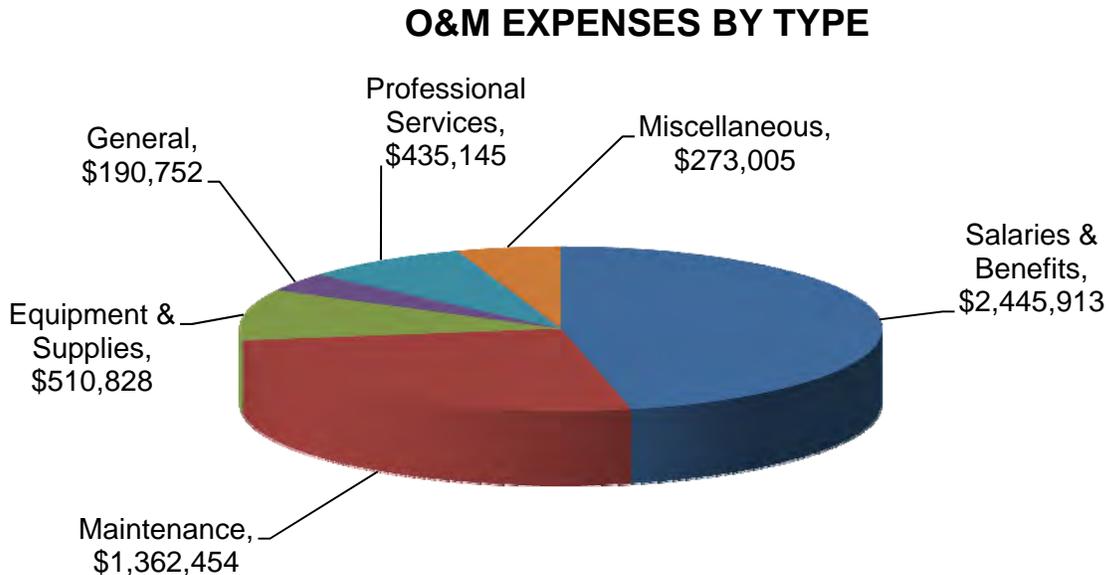
EXPENSES BY ACTIVITY



Expense Summary By Activity	FY 11-12	Pct	FY 12-13	Pct
Treatment Plant	\$1,813,548	22%	\$1,804,148	21%
Collection System	\$946,394	11%	\$1,106,239	13%
District Management	\$2,041,764	25%	\$2,307,910	26%
Transfers	\$3,530,447	42%	\$3,567,607	41%
	-----		-----	
Totals	\$8,332,153		\$8,785,904	

O&M Expenses By Type

Treatment plant, Collection System and District Management budgets are a reflection of the on-going activities of the District. It is interesting to note how the same expense type varies from one activity to another. For example, routine professional services are higher in District management because of the high cost of lawyers, auditors, etc. than it is in field operations for engineers to support day-to-day operations. The following chart shows how the budget is allocated to different expense types.



The following table details the breakdown of these expenses to each activity.

O&M Expense Type	T/P	C/S	D/M	Total	Pct
Salaries & Benefits	822,069	663,909	959,935	\$2,445,913	47%
Maintenance	801,807	371,860	188,787	\$1,362,454	26%
Equipment & Supplies	96,520	21,030	392,628	\$510,828	10%
General	610	750	189,392	\$190,752	4%
Professional Services	40,860	25,800	368,485	\$435,145	8%
Miscellaneous	42,282	22,890	208,033	\$273,005	5%
Totals	1,804,148	1,106,239	2,307,910	\$5,218,297	

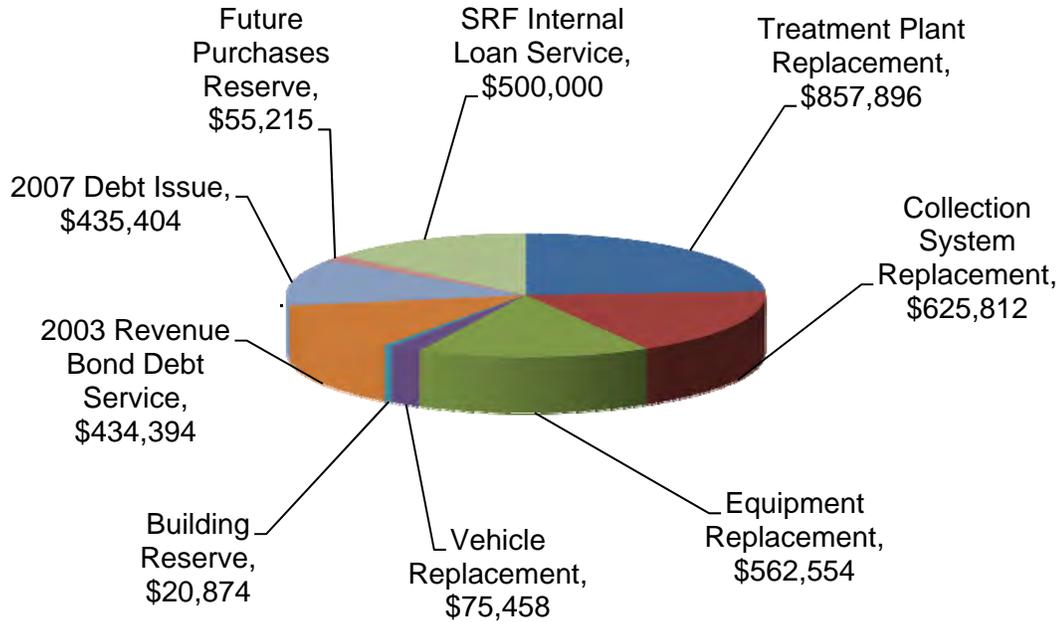
The Salaries & Benefits category appears to be maintaining a proportional consistency with prior years. This category continues to stay within the 40% to 50% range which appears appropriate for the size of the District.

Transfers By Destination

Transfer from the General Fund to reserves is the primary mechanism used to fund capital projects and the various special reserves. For this year's budget the following chart shows the destination or intended use of the transfers.

The following table shows the transfers in tabular form.

TRANSFERS BY DESTINATION



Transfer Destination	Transfer Amt. for 2012/13
Treatment Plant Replacement	857,896
Collection System Replacement	625,812
Equipment Replacement	562,554
Vehicle Replacement	75,458
Building Reserve	20,874
2003 Revenue Bond Debt Service	434,394
2007 Debt Issue	435,404
Future Purchases Reserve	55,215
SRF Debt Service (Internal Loan)	500,000

	3,567,607

*Red highlighted reserve funds are restricted; see Fund narrative for details.

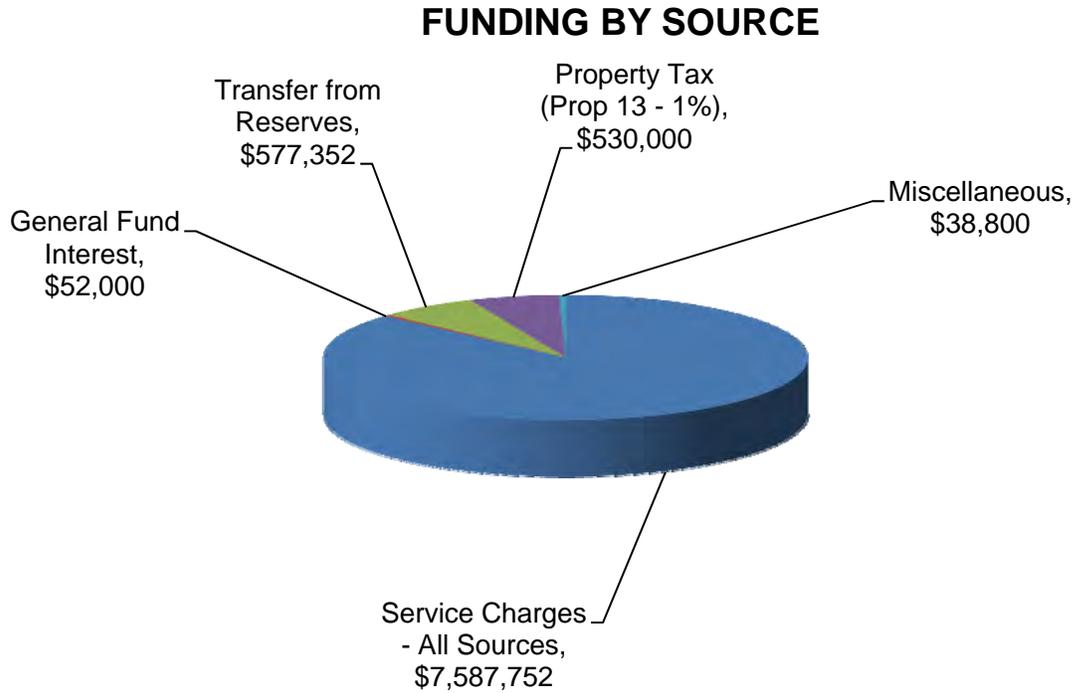
The uses of the various reserve funds are presented in greater detail in Sections 2 and 3 of the budget.

Personnel

The District work force consists of 19 full-time positions.

Funding

As can be seen in the chart below, the majority of funding for the budget is from the sewer service charge.



The following table shows the funding in tabular form.

Description	Amount	Pct
Service Charges - All Sources	\$7,587,752	86%
General Fund Interest	\$52,000	1%
Transfer from Reserves	\$577,352	7%
Property Tax (Prop 13 - 1%)	\$530,000	6%
Miscellaneous	\$38,800	1%

Total	\$8,785,904	

Service Charge Rates

The sewer service charge rate remains at \$47.82 effective July 1, 2012.

Service Area	Basic Service	Special Debt	Total Rate
Oak View	47.82	2.39	50.21
Ojai	47.82	4.25	52.07
Meiners Oaks	47.82	2.39	50.21
Ventura Avenue	47.82	2.39	50.21

The add on increments to pay for special costs which are not part of the basic service are shown above and described in greater detail in Section 3 -- Debt Service.

Service Area	FY11-12 Rate	FY12-13 Rate	Rate Change	% Chg
Oak View	50.21	50.21	0	0%
Ojai	52.07	52.07	0	0%
Meiners Oaks	50.21	50.21	0	0%
Ventura Avenue	50.21	50.21	0	0%

Reserves

The transfers into the reserves (other than Debt Service) total \$2,697,809 plus interest of \$185,502 will total \$2,883,311.

Debt Service

The transfers into the debt service accounts total \$869,798 plus interest of \$29,400 will total \$899,198. After expenses to pay principal, interest and trustee charges on the various debts, the outstanding debt owed will be reduced by \$415,000.

Summary

The Fiscal Year 2012-13 Final Budget continues the District's history of responsible fiscal management. Available resources are focused on maintaining services and programs essential to District facilities and improving the quality of service to the customers of the District with minimal rate increases.



Jeff Palmer
General Manager

Enclosure

SECTION 1

Operating Budget

Section 1 – Operating Budget

Introduction

The operating activities of the District are organized as follows:

- ❖ Facilities
- ❖ Staffing
- ❖ Expenses
 - ❖ Treatment Plant
 - ❖ Collection System
 - ❖ District Management
- ❖ Income
 - ❖ Service Charges
 - ❖ Other Sources

Each of these items is described in the following pages in greater detail.

FACILITIES

The sewerage facilities operated by the District include:

- ❖ 120 miles of sewage collection pipelines ranging in size from 6" to 24", operated and maintained by five Collection System personnel
- ❖ 9 sewage siphons with pipe sizes ranging from 4" to 16" and lengths of 82' to 3,300'
- ❖ 5 sewage lift stations (Orchard Road, Santa Ana #1, Santa Ana #2, Rancho Matilija, Ojai Y-Lift Station); 12 pumps operate at these five lift stations
- ❖ Sewage treatment plant with a rated capacity of 3.0 million gallons per day average dry weather flow, operated and maintained by six Treatment Plant personnel
- ❖ The sewage treatment plant operates 55 pumps ranging from 1 gpm chemical feed pumps to 2,400 gpm influent raw sewage pumps to move the wastewater through the treatment process, plus blowers, mixers, and related process equipment
- ❖ During calendar year 2008 the treatment plant processed 793.8 million gallons of wastewater – That is an average daily flow of 2.17 million gallons, or 2,442 acre feet of tertiary treated water discharged to the Ventura River
- ❖ District Office housing the Board and a public meeting room, District Management personnel and Collection System personnel.

STAFFING

The District staff consists of 19 full time positions.

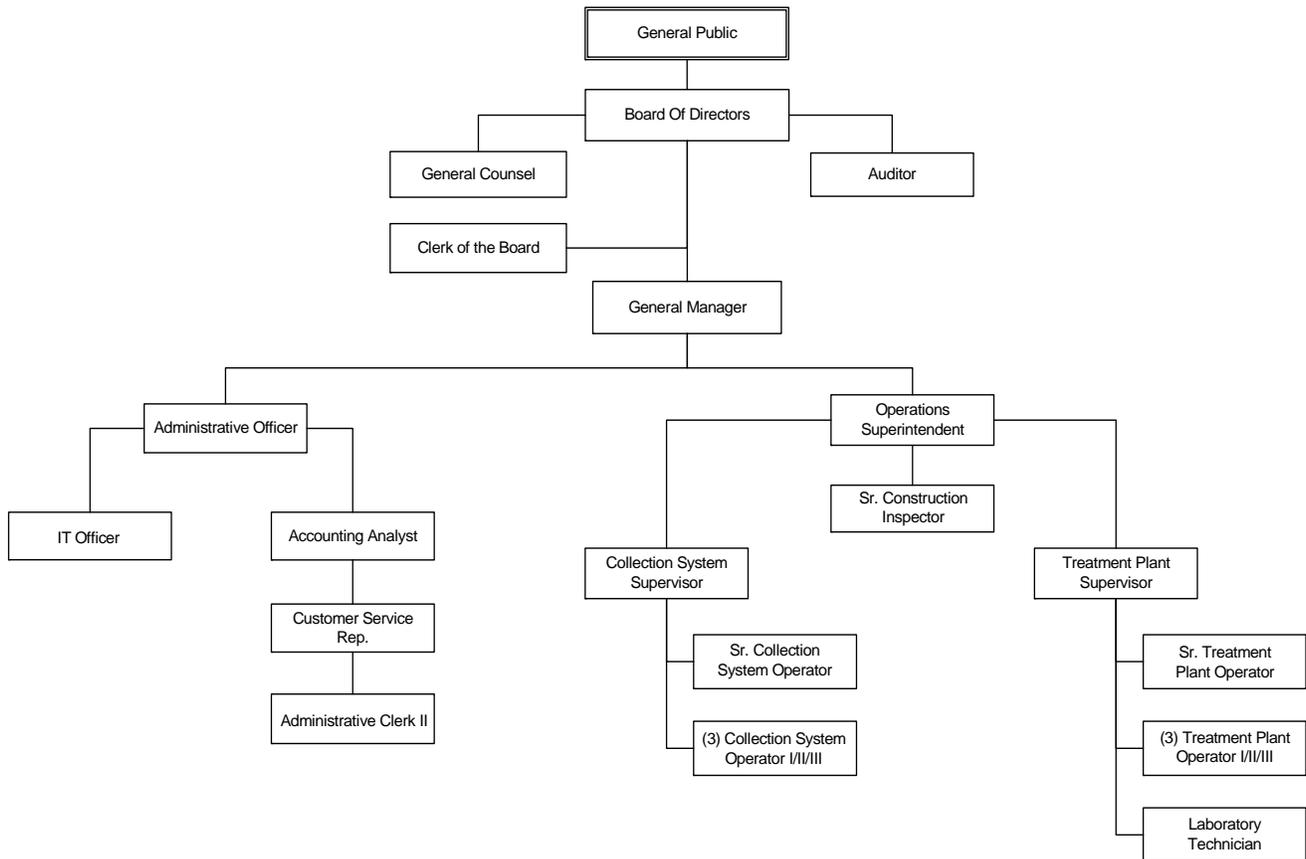
The staffing complement of authorized positions next fiscal year would be as follows:

Position Description	Pay Range	Authorized FY 2011-12	Proposed FY 2012-13	Change
General Manager	FR	1	1	0
Administrative Officer	32	1	1	0
Information Tech. Officer	30	1	1	0
Accounting Analyst	22	1	1	0
Customer Svcs Representative	17	1	1	0
Administrative Clerk I/II	13/15	1	1	0
Operations Superintendent	32	1	1	0
TP Supervising Operator	28	1	1	0
Laboratory Technician II	21	1	1	0
TP Senior Operator	25	1	1	0
TP Operator I/II/III	20/22/23	3	3	0
CS Supervising Operator	26	1	1	0
CS Senior Operator	23	1	1	0
CS Operator I/II/III	16/18/21	3	3	0
Senior Construction Inspector	25	1	1	0
Totals	--	19	19	0

The staffing organization chart is proposed as shown on the following page.

Ojai Valley Sanitary District

Organizational Chart



EXPENSES

TREATMENT PLANT

The treatment plant is operated to comply with the District's National Pollution Discharge Elimination System (NPDES) Permit No. CA-0053961 requirements. It is the goal of treatment plant staff to meet these requirements cost-effectively, efficiently, and safely without any permit violations. The following list of operational activities and goals highlights areas of focus for meeting the overall objectives during Fiscal Year 2012-13.

❖ Operations:

- ❖ It is the staff's goal to operate the treatment plant processes in a manner that provides maximum process performance and efficiency while maintaining 100% compliance with NPDES effluent requirements.
- ❖ Power consumption is one of the most significant treatment plant costs. Staff remains committed to the goal to minimize power consumption, and these efforts include; optimize process performance while operating the oxidation ditch aerators at low speed; upgrading and maintaining the UV system and plant process electrical components in optimal condition; operating the belt press during off-peak hours; and installation of efficient light fixtures.
- ❖ The plant equipment computerized maintenance management system (CMMS) stores all of the equipment information, history, and scheduling of maintenance activities. The CMMS was replaced in 2007 and staff has the system fully functional and being effectively utilized for recording and scheduling plant maintenance activities.
- ❖ The goal to develop detailed standard operating procedures (SOPs) for the plant's more technical tasks and process operations has been achieved. Staff's goal is now to maintain on-going evaluations and updates of existing SOP's, and as additional O&M activities are identified that would benefit from their use develop new SOP's.
- ❖ The current NPDES permit lists a phosphorus discharge goal of 2 mg/L. Staff's goal to optimize the biological phosphorus removal process was met with a Calendar Year (CY)-2011 average of 0.7 mg/L. This goal remains the same for Fiscal Year (FY) 2012-13.

- ❖ Regulatory
 - ❖ The treatment plant has a significant number of regulatory reporting requirements that include NPDES effluent compliance, pretreatment, biosolids, air quality, and laboratory reporting. Staff's goal is to ensure that all monitoring reports are prepared accurately, submitted on-time, and in accordance with regulatory guidelines.
 - ❖ The SWRCB's CIWQS electronic reporting system for NPDES data was implemented during 2010. Staff's goal to learn, implement, and comply with the CIWQS monthly electronic reporting to the SWRCB's was met. Staff's goal for 2012-13 will be continued compliance with the SWRCB's electronic reporting requirements.
- ❖ Disinfection & Chemical Usage:
 - ❖ The ultraviolet (UV) disinfection system is operated to provide continuous compliance with the NPDES 7-day median 2.2 MPN/100 mL effluent coliform requirement. Staff's goal is to operate and maintain the UV disinfection system as the primary effluent disinfection system, and do so in an efficient and cost-effective manner.
 - ❖ The backup chemical disinfection system utilizes liquids' sodium hypochlorite for chlorination, and sodium bi-sulfite for de-chlorination. Staff's goal is to maintain the backup disinfection system in a manner that ensures a high state of emergency readiness, to include equipment preventative maintenance, operator familiarization, and training.
 - ❖ Effective alum and polymer dosages have been identified for compliance with NPDES effluent turbidity requirements. Staff will continue to optimize the use of filter aids (polymers) and related chemical usages to comply with Title 22 and NPDES effluent requirements in an efficient and cost effective manner.
- ❖ Laboratory:
 - ❖ The 2008 NPDES permit decreased river station monitoring from previous permits, but increased overall reporting requirements. Staff's goal to effectively handle the increased monitoring requirements to include the Ventura River TMDL and Watershed Monitoring efforts while still maintaining a high quality of laboratory operations has been successful. The goal for 2012-13 will be to maintain this high level of laboratory operations while performing increased support for the new process control monitoring equipment, and providing assistance in preparation of the NPDES renewal application.
 - ❖ The pretreatment program is fully implemented. Outside assistance has successfully been utilized to assist with industrial discharger site inspections and permit development as a means to reduce the impacts on plant and laboratory staff. We will continue to use outside assistance for inspections, training of in-house personnel, and program improvements.

- ❖ Biosolids handling:
 - ❖ Staff's goal is to operate the belt press in a manner that provides maximum cake solids while minimizing polymer use.
 - ❖ During calendar year 2011, approximately 72% of the plant's biosolids were composted on-site exceeding staff's goal to compost \geq 60% of the biosolids. The 60% goal will remain and staff will continue to operate the compost operation to achieve a high quality compost product, while minimizing odors and cost.
 - ❖ No odor complaints have been received since the Ventura Trail hiking, biking, and equestrian facilities were completed in 1999.

The Treatment Plant staff will continue their efforts to operate and maintain the plant in a manner that District personnel and the public we serve can be proud of, comply with all regulatory requirements, produce a high quality compost for our end users, and promote environmental stewardship and public relations by providing tours to our area schools and community college students, the public, and industry professionals.

Treatment Plant

Acct	Description	FY 10-11	FY 11-12	YTD @ 3/12	FY 12-13	% Chg
4210	Regular Wages - T/P	477,095	484,520	344,967	511,828	5.6%
4220	Extra Help - T/P	20,275	21,596	19,495	33,260	54.0%
4230	Overtime - T/P	39,015	38,088	18,214	38,098	0.0%
4240	Standby Time - T/P	10,200	10,200	7,274	10,163	-0.4%
4610	FICA/Medicare Expense - T/P	7,800	8,265	4,694	8,691	5.2%
4620	Retirement Expense - T/P	75,000	82,880	60,121	90,924	9.7%
4640	Health Insurance Exp - T/P	101,662	109,943	74,604	100,807	-8.3%
4660	Life Ins. Benefits - T/P	1,590	1,590	1,129	1,590	0.0%
4670	Vision Insurance Exp - T/P	1,692	1,778	1,204	1,692	-4.8%
4680	Unemployment Ins. Exp - T/P	0	0	0	0	0.0%
4685	Disability Ins. Exp -T/P	5,856	5,947	4,081	6,137	3.2%
4690	Workers Comp Ins. - T/P	12,250	14,962	4,858	18,879	26.2%
5005	Utilities - T/P	396,280	377,524	195,858	319,088	-15.5%
5020	Building/Grounds Main - T/P	57,045	48,298	30,929	46,916	-2.9%
5025	Vehicle Maint/Fuel - T/P	22,024	32,058	19,561	37,520	17.0%
5035	Meter Maintenance - T/P	6,472	6,140	1,634	6,830	11.2%
5040	Equipment Maintenance - T/P	118,524	111,605	69,252	118,300	6.0%
5045	Electrical Maintenance - T/P	34,700	34,700	35,768	34,900	0.6%
5050	Other Equip Maint - T/P	25,900	27,080	12,407	43,075	59.1%
5060	Biosolid Handling	71,264	77,137	62,329	87,185	13.0%
5065	Hazardous Material Disposal	760	2,160	2,452	330	-84.7%
5080	Outside Laboratory Analysis	98,480	122,454	98,769	107,663	-12.1%
5210	Safety Equip/Supply - T/P	6,750	8,005	5,214	7,505	-6.2%
5220	Small Tools - T/P	2,500	2,500	1,213	2,200	-12.0%
5230	Minor Equipment - T/P	0	7,183	7,690	0	0.0%
5240	Misc. Operating Supplies - T/P	9,400	9,400	7,418	11,944	27.1%
5250	Chemicals - T/P	37,602	34,685	20,415	34,199	-1.4%
5260	Lab Materials & Supplies - T/P	16,485	16,485	8,964	13,485	-18.2%
5270	Operating Permits - T/P	46,185	36,185	22,758	26,437	-26.9%
5410	Office Supplies - T/P	750	750	560	750	0.0%
5440	Books & Publications - T/P	610	610	372	610	0.0%
5620	Mgmt/Engrg & Tech Serv - T/P	17,700	17,700	4,152	17,700	0.0%
5660	Other Prof Services - T/P	23,160	23,160	15,721	23,160	0.0%
6035	Conference/Seminar - T/P	11,925	14,461	6,361	12,717	-12.1%
6050	Education & Training Allow - T/P	9,935	6,633	1,278	9,266	39.7%
6080	Membership & Dues - T/P	2,512	2,522	2,714	2,959	17.3%
6090	Misc. Expense - T/P	750	750	95	750	0.0%
6100	Safety Training - T/P	1,450	1,890	587	5,330	182.0%
6150	Penalties	0	0	0	0	0.0%
6110	Uniforms - T/P	11,772	11,704	8,558	11,260	-3.8%
	Totals	1,783,370	1,813,548	1,183,670	1,804,148	-0.5%

COLLECTION SYSTEM

The collection system is operated to transport wastewater collected from residential and commercial customers to the wastewater treatment plant with no stoppages or sewage overflows. Lines are routinely cleaned for preventative maintenance and inspected to identify line deficiencies and perform corrective maintenance or repairs as necessary to ensure the integrity of the collection system. Following is a list of maintenance activities performed to meet this goal in a scheduled, cost-effective, and efficient manner.

- ❖ Collection system personnel continue to clean mainlines in accordance with the District's scheduled 3-year line cleaning O&M program. The 2010-13 line cleaning schedule is in-progress and the goal for 2011-12 to stay on-track or exceed line cleaning footage wise at year's end was met. The goal for 2012-13 will be to meet the scheduled completion date of June 2013.
- ❖ Collection system personnel are currently performing the second round of CCTV inspection on the entire system following the 2001-04 collection system CCTV and rehabilitation repairs. This second round of video inspection is to serve as the "base line" data for the main and trunk lines condition assessment necessary to comply with the new Waste Discharge Requirements (WDR). We did not meet the anticipated CCTV completion goal of 2010, nor complete the CCTV inspections in 2011. The 2011-12 goal to complete the "condition assessment" review of CCTV inspection data by December 2012 will also not be met. Therefore, the FY 2012-13 goal is to complete the CCTV inspections, and the condition assessment review be completed by years-end 2013.
- ❖ All nine siphons were cleaned as part of the current line cleaning schedule. Siphon cleaning frequencies have been identified and are on a maintenance schedule that will provide operational efficiency and cost effectiveness. The goal for 2012-13 is to perform a condition assessment using CCTV inspection on a couple of the original Creek Road siphons.
- ❖ The goal of cleaning and video inspecting all trunk lines was previously accomplished. The goal for 2010-11 to complete development of the cleaning and video inspection schedule for trunklines as part of the Sanitary Sewer Management Plan (SSMP) was met. Trunkline cleaning is currently on a 6-year cleaning cycle.
- ❖ The District completed documentation of existing collection system activities for certification of the SSMP in August 2009. The goal for 2011-12 to complete the required SSMP program audit of existing maintenance activities was met. Staff is currently providing specific training on the SSMP, and will continue to implement improvements to the program as they are identified.
- ❖ The scheduled application of chemical root inhibitors continues with apparent success on known problem areas. Staff continues to evaluate and add line segments to the root control program as they are identified through CCTV inspection or as the result of blockages. Our goal is to ensure the root inhibitors effectiveness by evaluating a minimum of 5 percent of the applied footage using CCTV technology.

- ❖ Staff will respond to blockages within 30 minutes of receiving the report, and blockages will be cleared within 45 minutes of confirmation, with the primary goal to prevent sewage from reaching storm drains or waterways.
- ❖ The District's goal to reduce Infiltration & Inflow (I&I) continues. Areas identified by the 2008-09 I&I flow study were evaluated and targeted for 2009-10 and '11 I&I efforts. During 2010-11 staff performed both in-house and contract grouting and repairs on manholes with identified I&I. The goal for 2011-12 to install a limited number of flow meters in areas of suspected I&I, perform follow up CCTV inspections, and make repairs was partially met. The meters were installed but the lack of rain has precluded any followup CCTV and subsequent repairs. The goal for 2012-13 will remain the same as staff continues their efforts to identify and correct additional sources of I&I throughout the District.
- ❖ The goal for promptly correcting an identified subsidence continues. A subsidence is filled within 24 hours of discovery. Upon confirmation that a significant problem exists long-term repairs are scheduled and/or completed within 30 days.
- ❖ Smoke testing and CCTV inspections of laterals will be used in specific areas targeted as a result of I&I flow monitoring.
- ❖ New connections are inspected as they occur. Repair inspections are performed within 24 hours of the customer's request.
- ❖ A Fats, Oil & Grease (FOG) program developed as part of the Pretreatment Program to reduce the possibility of sewer blockages and overflows is now a major component of the SSMP program. During FY 11-12 all restaurants were inspected by VRSD for the fourth year in a row. We will continue to utilize VRSD during FY 2012-13 for performing FOG inspections.
- ❖ The Computerized Maintenance Management System (CMMS) used for scheduling and tracking collection system maintenance activities was replaced during FY 2008-09. The new system is fully functional and being utilized. The goal to provide operator training to increase their understanding and effectiveness in using the CMMS program continues.
- ❖ The CCTV video inspection software was replaced during 2010-11 and integrated with the CMMS. The goal for 2011-12 was for the operators to continue the learning curve to effectively use this software and the integration capabilities with the CMMS. This goal will be continued for 2012-13.
- ❖ The GIS provides staff a visual overview of scheduled and completed operations and maintenance tasks, and is a great tool for tracking and evaluating effectiveness of the various collection system activities. Staff's goal is to continue the development of additional GIS layers of O&M activities.

Recently completed, current, and planned construction projects are an indicator of the District's commitment to operate and maintain a safe, reliable, and efficient collection system. The Ventura Avenue force main and lift station replacement project was completed during 2011 and is in full operation. Completing the Ventura Avenue project replaced the severely corroded Orchard and Petrochem force mains that had within the District the highest risk and probability of failure, and the exposure to a major sewage spill. The planned CIP project for Shady Lane will eliminate a key element and source of at least two sewage spills. Replacement and realignment of Bristol Street will enhance access to the system. Manhole rehabilitation and grouting to reduce I&I will be continued during 2012-13.

Staff will maintain an aggressive monitoring, inspection, and repair schedule to reduce I&I, while continuing to perform preventative and corrective maintenance activities to reduce and/or eliminate sewer blockages and overflows. These activities along with use of the District's GIS, CMMS, and CCTV programs are highly functional and effective tools to operate and maintain a safe, reliable, and efficient collection system.

Collection System

Acct	Description	FY 10-11	FY 11-12	YTD @ 3/12	FY 12-13	% Chg
4210	Regular Wages - C/S	366,246	371,944	272,958	420,995	13.2%
4220	Extra Help - C/S	2,880	2,880	0	2,880	0.0%
4230	Overtime - C/S	10,000	8,240	9,935	9,000	9.2%
4240	Standby Time - C/S	9,135	9,135	6,071	8,957	-1.9%
4610	FICA/Medicare Expense - C/S	7,022	7,032	3,568	6,516	-7.3%
4620	Retirement Expense - C/S	70,300	79,919	51,775	82,472	3.2%
4640	Health Insurance Exp - C/S	100,468	110,002	71,963	106,002	-3.6%
4660	Life Ins. Benefits - C/S	1,590	1,582	1,173	1,590	0.5%
4670	Vision Insurance Exp - C/S	2,292	2,292	1,655	2,292	0.0%
4680	Unemployment Ins. Exp - C/S	0	0	0	0	0.0%
4685	Disability Ins. - C/S	5,450	5,480	4,084	5,731	4.6%
4690	Workers Comp Ins. - C/S	10,250	12,520	3,887	17,474	39.6%
5005	Utilities - C/S	33,250	30,500	19,562	29,500	-3.3%
5025	Vehicle Maint/Fuel - C/S	50,910	46,660	23,808	49,710	6.5%
5030	Line Maintenance - C/S	181,000	134,000	136,402	240,450	79.4%
5035	Meter Maintenance - C/S	8,700	8,200	2,720	8,200	0.0%
5040	Equipment Maintenance - C/S	20,650	19,650	6,580	19,700	0.3%
5050	Other Equip Maint - C/S	27,500	25,150	15,573	24,300	-3.4%
5210	Safety Equip/Supply - C/S	3,950	5,685	5,506	4,800	-15.6%
5220	Small Tools - C/S	2,200	1,700	1,050	1,700	0.0%
5230	Minor Equipment - C/S	0	0	206	0	0.0%
5240	Misc. Operating Supplies - C/S	8,400	7,500	6,221	7,500	0.0%
5270	Operating Permits - C/S	6,030	7,030	4,518	7,030	0.0%
5440	Books & Publications - C/S	250	250	241	250	0.0%
5450	Blueprints - C/S	500	500	781	500	0.0%
5620	Mgmt/Engrg & Tech Serv - C/S	9,000	15,800	50	15,800	0.0%
5660	Other Prof Services - C/S	12,660	11,650	2,720	10,000	-14.2%
6035	Conference/Seminar - C/S	7,750	6,600	3,116	6,790	2.9%
6050	Education & Training Allow - C/S	1,450	1,150	109	1,150	0.0%
6080	Membership & Dues - C/S	1,685	1,685	501	1,760	4.5%
6090	Misc. Expense - C/S	5,000	0	239	500	100.0%
6100	Safety Training - C/S	1,310	1,458	370	1,490	2.2%
6110	Uniforms - C/S	9,568	10,200	8,494	11,200	9.8%
	Totals	977,396	946,394	665,836	1,106,239	16.9%

District Management

Accounting

- ❖ Staff continues to work around the limitations of our current accounting system's cost accounting function, tracking the cost of individual projects and certain on-going tasks.
- ❖ It is staff's goal to continue updating and improving the custom customer database program that merges records obtained from the County Tax Collector's office with the District's customer records. This program has become an excellent tool to assist staff in balancing District account records to the County Tax Collector's records of service charges assessment and collections. This program produced Exhibits A & B for the tax roll collection the first time for FY 2011-12 and will continue to do so for subsequent years.
- ❖ Collection of in-house billing accounts is processed on a monthly billing cycle. It is staff's on-going goal to continue mailing the billing statements by the first business day of each month.
- ❖ It is staff's continuing goal that by January each year the District's capital expenditure plan will be reviewed and any necessary revision presented to the Board for consideration. The capital plan can then be folded right into the operating budget preparation process. This mid-year review process will keep the Board up to date on the District's financial progress and ensure a more accurate and workable financial plan for the District.

Packet Preparation

- ❖ Staff prepares a written agenda packet for each of the Board's regular and committee meetings. The purpose of these packets is to supply the Directors with information essential to their setting the policy direction that guides the activities of the District, and to make information available to the public so they can easily understand and participate in the policy setting process.
- ❖ The Board's regular board meetings are held on the fourth Monday of each month. It is staff's goal to mail the packet for these meetings five (5) days in advance of each meeting.
- ❖ The Board has nine standing committees, which meet on an as-needed basis: Public Relations/Newsletter/Ordinance Committee; Personnel Committee; Finance Committee; CEQA Review Committee, Habitat Conservation Plan Committee, SDS Financing Program Committee, Private Lateral Inspection Program Committee, Ventura River Nutrient Assessment Committee and Executive Committee. It is staff's goal to mail the packet for these meetings five (5) days in advance of each meeting.

Customer Accounts

- ❖ One of the administrative staff's most important functions is to provide support services to the collection system and treatment plant operations. In this support role it is staff's goal to supply accurate and timely information which aids these two departments in the efficient completion of their duties. A substantial amount of interaction is required between administration and collection system staffs in order to properly maintain customer records. It is the administrative staff's goal to supply the collection system with the most current and accurate account history to facilitate the collection system staff's annual inspections and verifications of usage accuracy of all commercial and industrial accounts.
- ❖ An extremely important goal for the administrative staff is to continue to assist customers in a knowledgeable, consistent, and professional manner. A part of this customer service is to work closely with the Local Agency Formation Commission to process District annexations in a timely manner.
- ❖ Staff has also fully implemented the Unpermitted Connection Program. The Amnesty Period has passed and Staff is actively working with many locations to identify and bring into compliance any unpermitted connections. To date 161 locations have been identified and corrections made. These range from account corrections, removal of the unpermitted connection or collection of payments to add the connection to our Customer Service Database.

Safety

- ❖ The Safety Program's Back Synergy/Team Safety continues to start the day for many staff members. This will be the fifth year the District has joined with 3 other local Sanitary Districts sharing a Safety Director employee. The addition of the Safety Director has been a great assistance to District management staff in ensuring the District's safety policies and training program meet regulations and adequately protect our employees. Continuation of this Joint-U's Safety Director is a good use of District funds.
- ❖ Employee safety training continues to be a priority as does the emphasis on preventative measures to include identification and correction of unsafe acts and conditions. The goal will be to continue reducing the number of injuries, and ensure all safety training is conducted.
- ❖ Keeping the Safety Program updated to current regulations and maintaining a top quality program is an important goal for the entire District.

Technology Maintenance

- ❖ Another important goal for the administrative staff is to maintain the District's technology based equipment (hardware & software) and communications equipment. This maintenance also includes monitoring the needs for upgrades and replacements which requires maintaining a detailed inventory of the District's technological equipment which includes a replacement schedule.
- ❖ The technology equipment items scheduled for replacement appear in the Operations Budget with funds to cover the cost of these items being transferred into this Budget from the Equipment Replacement Reserve in Section 2.

The budget detail to support the administration activities is shown in the following table.

District Management

Acct	Description	FY 10-11	FY 11-12	YTD @ 3/12	FY 12-13	% Chg
4210	Regular Wages - Office	529,518	551,975	412,218	562,925	2.0%
4215	Major Projects Admin.-Wages	70,835	72,967	15,502	73,807	1.2%
4220	Extra Help - Office	0	0	0	0	0.0%
4230	Overtime - Office	7,871	2,300	925	2,415	5.0%
4610	FICA/Medicare Expensr-Office	14,701	15,518	8,113	15,364	-1.0%
4620	Retirement Expense - Office	83,800	95,252	65,078	97,555	2.4%
4640	Health Insurance Exp - Office	134,520	170,120	109,041	155,171	-8.8%
4645	Post-Retirement Health	80,985	64,578	40,243	40,062	-38.0%
4660	Life Ins. Benefits - Office	1,900	1,900	1,369	1,887	-0.7%
4670	Vision Insurance Exp - Office	1,515	1,743	1,419	1,885	8.1%
4680	Unemployment Ins Exp - Office	0	0	0	0	0.0%
4685	Disability Ins. Exp - Office	6,368	6,324	4,463	6,311	-0.2%
4690	Workers Comp Ins. - Office	2,500	3,055	1,421	2,553	-16.4%
5005	Utilities - Office	22,900	22,900	15,403	23,801	3.9%
5015	Janitorial - Office	12,800	10,300	6,279	9,600	-6.8%
5020	Building/Grounds Main - Office	14,550	12,360	8,050	12,160	-1.6%
5025	Vehicle Maint/Fuel - Office	7,610	8,060	3,699	7,560	-6.2%
5040	Equipment Maintenance - Office	112,532	122,057	70,723	135,666	11.1%
5210	Safety Equip/Supply - Office	1,375	1,025	643	725	-29.3%
5270	County Permits/Fees	0	0	616	650	100.0%
5410	Office Supplies - Office	17,670	164,975	72,209	391,903	137.6%
5420	Communications - Office	40,555	43,270	51,413	41,560	-4.0%
5430	Insurance	117,289	118,800	79,889	123,625	4.1%
5440	Books & Publications - Office	12,852	12,907	9,223	13,207	2.3%
5460	Postage	11,000	11,300	6,207	11,000	-2.7%
5610	Board Member Fees	42,000	44,850	27,082	44,850	0.0%
5620	Mgmt/Engrg & Tech Serv - Offic	105,640	91,000	22,620	95,000	4.4%
5630	Public & Legal Notice	8,500	3,500	3,233	3,500	0.0%
5640	Legal Services	230,000	150,000	99,243	180,000	20.0%
5650	Accounting Services	40,300	39,100	21,900	36,375	-7.0%
5660	Other Prof Services - Office	55,550	9,360	44,948	8,760	-6.4%
5670	LAFCO Assessment	6,736	6,764	6,760	6,764	0.0%
6010	Annexation Dist Costs	0	0	0	0	0.0%
6015	Short/Over Annexation Exp	0	0	0	0	0.0%
6020	Bank Charges/Late Fees	60,850	55,500	46,004	65,350	17.7%
6030	Conference/Seminar - Board	37,480	28,520	16,414	27,050	-5.2%
6035	Conference/Seminar - Office	29,595	15,400	8,155	20,400	32.5%
6050	Education & Training Allow - Of- fice	17,345	10,545	0	10,595	0.5%
6060	Election Expense	6,500	0	0	3,600	100.0%
6070	Fee Refund/Reimb	1,500	1,500	15,337	1,500	0.0%
6080	Membership & Dues - Office	28,912	29,679	21,849	30,429	2.5%
6090	Misc Expense - Office	0	0	86	0	0.0%
6100	Safety Training-Office	40,950	42,360	40,557	42,345	0.0%
	Totals	2,017,504	2,041,764	1,358,334	2,307,910	13.0%

Transfers

Transfers are charges against one funding location which appear in another funding location as revenue. The District sets aside funds in reserves for special purposes. All service charge income and most other income is received in the General Fund and the portion destined for reserves is then transferred to the reserve, leaving only the portion used to pay for operations and maintenance activities in the General Fund.

The transfers from the General Fund for Fiscal Year 2012-13 are shown in the following table:

Transfer Budget

Transfer Destination	Transfer Amt. for 2012/13
Treatment Plant Replacement	857,896
Collection System Replacement	625,812
Equipment Replacement	562,554
Vehicle Replacement	75,458
Building Reserve	20,874
2003 Revenue Bond Debt Service	434,394
2007 Debt Issue	435,404
Future Purchases Reserve	55,215
SRF Debt Service	500,000

	3,567,607

Debt Reserves are used to accumulate funds for making the annual debt payment on each of the District's outstanding debt issues.

Replacement Reserves and Future Purchases Reserve contributions are indexed so that contributions will not fall short of expected expenditures at the time the expense is incurred.

Expense Summary

The District's operating budget provides for the day-to-day operation and maintenance of the central office, collection system, and treatment plant and can be summarized as follows:

Expense Budget Summary

Expense Summary By Activity	FY 11-12	Pct	FY 12-13	Pct
Treatment Plant	\$1,813,548	22%	\$1,804,148	21%
Collection System	\$946,394	11%	\$1,106,239	13%
District Management	\$2,041,764	25%	\$2,307,910	26%
Transfers	\$3,530,447	42%	\$3,567,607	41%
	-----		-----	
Totals	\$8,332,153		\$8,785,904	

The totals can be misleading because they include significant cash transfers.

INCOME

Introduction

The operating budget is funded entirely from the sewer service charges paid by the users of the system. The majority of the service charges are collected as a charge at the same time as property taxes through the property tax bill mechanism. Those properties hooking up during the year are billed directly for the partial year and added to the tax roll the following year.

This method of collection is the most economical; by state law the County charge to the District for billing, collection and all record keeping for this service is one quarter of one percent of the amount collected. For a typical single family residential home that pays \$50.06 per month, the County charge amounts to \$1.50 out of \$601 collected annually. The District-wide annual cost of this service from the County is approximately \$15,000. It would take several times this amount to hire the necessary staff to prepare and mail a bill to all customers, record payments, follow up on bad checks and track delinquent accounts. This method has worked very well for the District, so it is proposed to continue using it in the coming fiscal year.

Some properties do not receive a tax bill (e.g. schools & government agencies) and others (industrial & some commercial) are charged based upon the quantity and quality of their discharge. Approximately 80 properties fall into this category and are directly billed. The direct billing method amounts to approximately twenty-six percent (26%) of the total service charges collected.

Capacity Unit Growth

Each year staff makes an estimate of the number of Capacity Units (CUs) that will be on-line at the beginning of the fiscal year (July 1). This estimate is conservative since it is likely some new CUs will come on line during the year, but the growth rate is very low and a significant amount of income is not involved.

The CU count is used to determine the special incremental rates for 2003 Revenue Bond Debt Service. This is described more fully in Section 3 – Debt Service Budget.

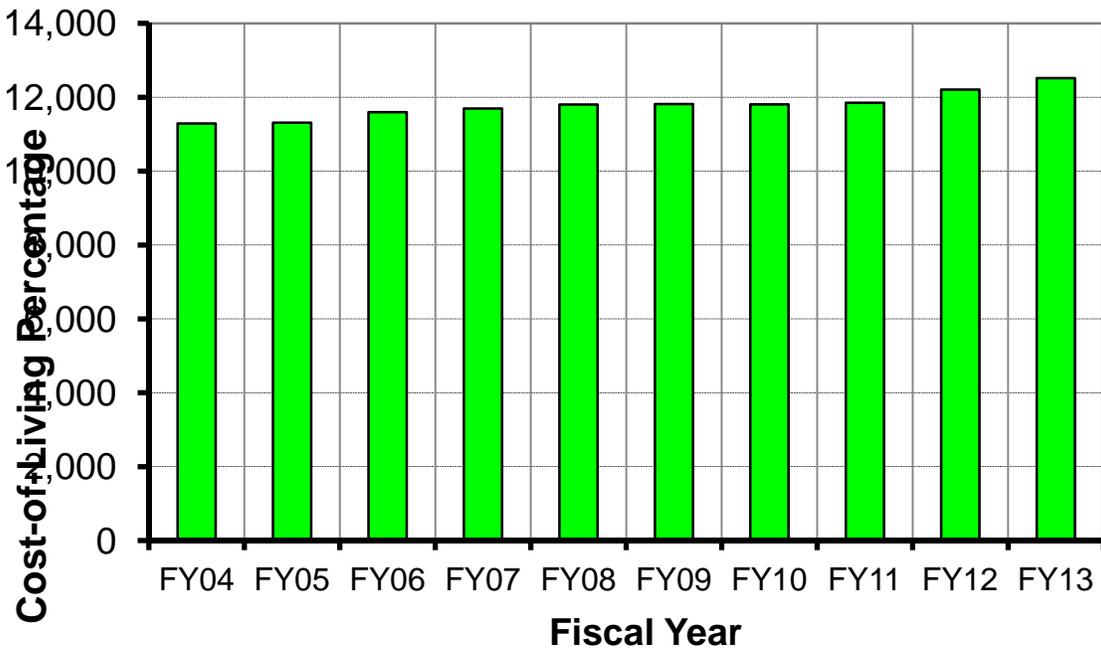
Service Unit Count

A Service Unit (SU) is a measure of service provided to a Parcel based upon the volume and strength of the Parcel's wastewater flow. The SU count on a Parcel may be different from the Capacity Units allocated to that Parcel. The totals for these two Unit types are not the same because the SUs include multiplication factors that account for a stronger waste strength discharged by certain types of commercial customers. Since SUs are dependent upon the type of use of the CUs they can vary greatly from year to year; the SU total becomes the basis for estimating service charge income. Our GIS is coordinated with the customer database, and as the information in the database becomes more accurate, it allows a greater degree of accuracy to our SU count.

This year's SU count is 12,518, which is 108 SUs higher than the count used last fiscal year. A large portion of this increase is the direct result of the implementation of the Un-permitted Connection enforcement program and the customer database continuing to become more accurate. This number becomes the basis for estimating service charge income.

The following chart depicts the District's Service Unit growth over the most recent ten (10) years and the estimate for next year. The columns show District wide cumulative totals. The total goes down in some years because of refunds (USA Petroleum, Honor Farm, etc.) and changes in the method of computing the SU count.

SUs @ July 1 Each Year

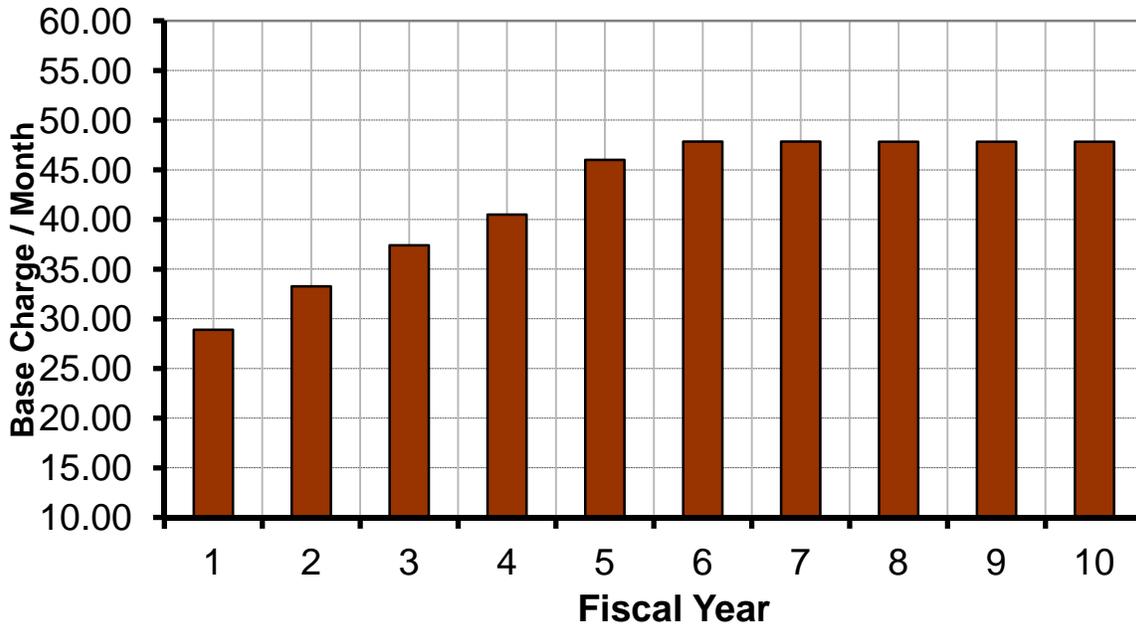


Service Charge

The monthly service charge is composed of a uniform basic rate throughout the District with additional special increments depending upon which part of the District is being discussed. The entire District pays an increment for debt service related to the rehabilitation of the 1927 sewer system. Pursuant to a court decision, these costs are split equally (50% – 50%) between the users inside and outside the City of Ojai. This increment is described more fully in Section 3 – Debt Service Budget.

The following chart shows the basic monthly service charge history over the most recent ten (10) years and the rate for next year. Next year’s rate (FY13) reflects no change in the monthly sewer service charge.

Service Charge History



Based upon the SU count as discussed above, the following table presents the estimated service charge income for the new fiscal year.

Service Charge Income

Acct	Description	FY 10-11	FY 11-12	YTD @ 3/12	FY 12-13	% Chg
3010	Service Charge - Tax Roll	5,205,303	5,247,488	2,833,572	5,308,029	1.2%
3020	Service Charge - Direct	1,293,150	1,550,233	1,051,039	1,552,671	0.2%
3040	Service Charge - Chem Toilet	39,738	34,430	15,569	34,430	0.0%
3050	Service Charge - MAD	258,228	258,228	117,179	258,228	0.0%
3085	Service Charge - COP Tax Roll	333,044	330,603	220,402	330,672	0.0%
3090	Service Charge - COP Direct	101,956	104,751	72,678	103,722	-1.0%
	Totals	6,945,306	7,525,733	4,310,439	7,587,752	0.8%

Investment Income

Another large income source for the District is the earnings from investment of temporarily idle cash. The District follows a policy of returning the interest earned to the source in proportion to the amount of cash available for investment. This assures the various reserves receive their proportionate share of earnings. The following table shows estimated investment income from all sources. About \$95,000 of the total will be received in the General Fund.

Investment Income Budget

Acct	Description	FY 10-11	FY 11-12	YTD @ 3/12	FY 12-13	% Chg
3410	Bank Interest	730	730	234	402	-44.9%
3420	County Interest	60,000	25,500	13,507	25,000	-2.0%
3430	Investment Interest	406,000	239,000	100,853	223,300	-6.6%
3440	Cop Interest	100	100	3,596	100	0.0%
3490	SDS Interest	0	18,800	0	18,100	-3.7%
	Totals	466,830	284,130	118,190	266,902	-6.1%

Other Income

The District has a variety of other income sources as shown in the following table. Most of these sources of income are not related to operations.

Other Income Budget

Acct	Description	FY 10-11	FY 11-12	YTD @ 3/12	FY 12-13	% Chg
3110	Permits/Inspection Fees	8,000	8,000	8,903	8,000	0.0%
3130	Annexation Fees	150	150	300	300	100.0%
3140	Connection Fees-T/P	120,000	120,000	82,121	125,371	4.5%
3145	Connection Fees-C/S-Trunk	0	70,000	14,470	72,352	3.4%
3150	Connection Fees-C/S-Local	62,000	180,000	60,338	193,102	7.3%
3160	Engineering & Admin. Fees	1,500	0	0	0	0.0%
3510	Late Charges	30,000	25,000	18,038	25,000	0.0%
3515	Unpermitted Penalties/Interest	0	0	4,922		
3520	Misc. Income	2,500	2,500	45,706	5,500	120.0%
3610	Property Tax Income - 1%	535,000	530,000	292,724	530,000	0.0%
3730	Gov't Assist Revenues (FEMA)	0	0	0	0	0.0%
	Totals	643,500	935,650	587,860	959,625	2.6%

Income Summary

The District's operating budget provides for the day-to-day operation and maintenance of the central office, collection system, and treatment plant and can be summarized as follows:

Income Budget Summary

Income	FY 2011-12	FY 2012-13	Change	Pct
Service Charges	7,525,733	7,587,752	+62,019	+0.82%
Investment	284,130	266,902	-17,228	-6.1%
Other Income	935,650	959,625	+23,975	+2.6%
Transfer From Equipment Reserve	197,484	376,008	+178,524	+90.1%
Transfer From Contig & Stab. Reserve	0	201,344	+201,344	+100%
Totals	8,942,997	9,391,631	+448,634	+5.0%

Available Funding

Since several sources of income are not available for the general fund, the following table is presented to show the differences from the income table. The differences consist of the capacity charge income which is put directly into the respective reserve funds and the interest income attributed to each of the reserves that will stay in the respective Reserve Funds.

Available Funding Summary

Income	FY2012-13	Available	To Reserve Funds
Service Charges	7,587,752	7,587,752	0
Investment	266,902	52,000	214,902
Other Income	959,625	568,800	390,825
Transfer From Equipment Reserve	376,008	376,008	0
Transfer From Contig & Stab. Reserve	201,344	201,344	0
Totals	9,391,631	8,785,904	605,727

Expense/Funding Balance

Proposed Expense and Transfer Total	\$8,785,904
Proposed Available Funding Total	\$8,785,904

Difference	\$-0-

SECTION 2

Reserves Budget

Section 2 – Reserves Budget

Introduction

The District has set aside restricted reserves to fund specific Capital Projects as well as periodic equipment and facility replacement and major repair purposes. These reserves are:

- ❖ Treatment Plant Upgrade Reserve
- ❖ Treatment Plant Replacement Reserve
- ❖ Treatment Plant Expansion Reserve
- ❖ Collection System Replacement Reserve
- ❖ Equipment Replacement
- ❖ Vehicle Replacement
- ❖ Building Reserve
- ❖ Septic Disposal System (SDS) Program Reserve
- ❖ Collection System Local Capacity Reserve
- ❖ Collection System Trunk Capacity Reserve
- ❖ Contingency & Stabilization Fund
- ❖ Future Purchases Reserve

***Red highlighted reserve funds are restricted; see Fund narrative for details.**

Generally, each reserve is set up for a specific purpose and regular contributions are made each year. When a major expense in an area covered by a reserve occurs, the resolution of the problem or issue is paid for out of the reserve rather than the operating budget. Using this mechanism adds predictability to the transfer process and buffers the individual rates and charges from sudden dramatic changes in any one year.

In this section each of the reserves is described and the details of what is proposed to happen next fiscal year are presented.

Treatment Plant Upgrade Reserve

Purpose

Originally established in 1994 to fund the Wastewater Treatment Plant Upgrade project, the fund had been earning interest and was being depleted through transfers to the General Fund. The Upgrade Project was formally accepted in February 2001.

This year continues the decision made several years ago that this fund would be used to fund anticipated Treatment Plant Upgrades which come as requirements of our next NPDES Permit.

Funding Sources

Interest earned on the idle funds in this reserve is the only income source for this reserve.

Reserve Cash Flow Estimate

The projected cash flow for the reserve is as follows:

Estimated Upgrade Reserve Balance @ July 1, 2012.....	\$606,132
+ Predicted Investment Earnings during Fiscal Year	12,000

= Projected End of Year Reserve Balance	\$618,132

Treatment Plant Replacement Reserve

The Treatment Plant Replacement Reserve was created many years ago to comply with local funding requirements imposed when the Oak View Sanitary District accepted federal and state grant funding to build the 1983 treatment plant improvements. Although the grant condition acceptance was pre-consolidation and some of the grant-funded facilities have been demolished, the requirement cannot be altered by the consolidation process. As successors in interest, we are bound by the same rules.

This requirement was known in 1983 as CRF (Capital Replacement Fund). The general idea was that the federal and state grant was going to bring the grant recipient's facilities to a level of service that would meet then current regulatory requirements. In return for the grant, the local agency was required to annually set aside funds in the CRF which would guarantee perpetual replacement of the major facilities at the same level of service. The replacement would take place as each major item in a facility reached the end of its respective service life. This concept is very roughly equal to annual depreciation. For example, \$1,000 per year would be set aside for a pump with an original cost of \$10,000 and a ten-year service life. Earnings from investment of any temporarily idle reserve funds are used to offset the effect of inflation. Thus, in year 10 the service charge impact would still be \$1,000 even though a replacement cost of \$12,000 was being paid for the replacement pump.

Loans To Collection System Replacement Reserve

In September 2003 funds from this reserve were loaned to the Collection System Replacement Reserve in the amount of \$2,400,000 to assist in the funding of the Meiners Oaks Trunk Siphon Project. This loan is scheduled to be repaid over a ten year period; the eighth payment occurs this year.

Loan to Other Post Employment Benefits (OPEB) Debt Issue – PAID IN FULL

In June 2009 funds from this reserve were used, as a loan, to eliminate the District's Post Employment Health Benefits deficit (OPEB Liability), in the amount of \$1,788,000. This loan was scheduled to be repaid over a period of 5 years; the third payment was due last year. However, last year the Board directed the balance on this loan be paid in full with the unused balance in the SRF Loan Payment Reserve.

Loan to Pay-Off State Revolving Fund Loan Balance

The District's State Revolving Fund (SRF) loan began at \$18,840,595 in 1997 and was scheduled to be paid over 20 years. In January 2011 funds from this reserve were used, as a loan, to pay-off the outstanding balance (\$8,512,863) on the District's SRF loan. The loan from this reserve will be repaid over a period of 20 years. The second payment will be made this year in the amount of \$500,000.

Transfer Amount

A transfer amount of \$857,896 is scheduled for this year.

Reserve Cash Flow Estimate

The projected cash flow for the reserve is as follows:

Estimated Balance on Hand @ July 1, 2012.....	\$3,160,882
+ Ninth Pmt. From CS Replacement Reserve-2003 Loan	+243,564
+ Proposed Transfer Amount	+857,896
+ Second Pmt. On Loan to SRF Pay-Off.....	+500,000
+ Predicted Investment Earnings during Fiscal Year	+52,000

= Projected End of Year Reserve Balance.....	\$4,814,342

The transfer amount will be divided by 2 and that much will be transferred from the General Fund during the two months of the year, December & April, when the majority of the service charge revenue is received via the property tax roll.

Treatment Plant Expansion Reserve

The Treatment Plant Expansion Reserve was created many years ago to comply with state law requiring that funds collected for capital expansion purposes be identified and accounted for separately from all other funds of the agency. This state law was passed to eliminate the perception that some agencies were charging excessive capital impact fees to new customers and using those funds for non-capital purposes. This reserve is how the District meets the intent of those Government Code 66013 requirements.

In addition to funding new treatment plant capacity needs for future customers, the reserve is also used to pay for the capital costs of the portion of treatment processes and improvements which are currently idle and therefore available to serve new customers. The most recent example is the treatment plant upgrade project placed into full operation in 1997. The BWA report dated May 1998 identifies 23.7% of the plant as unused; therefore, this reserve has been paying 23.7% of the annual SRF Loan debt service each fiscal year or \$324,000. The goal of this reserve approach was to make certain new development pays its fair share and is not subsidized by existing users. This loan was paid off in January 2011; consequently, no further payment from this reserve is required.

New customers connecting to the sewer system are required to pay a treatment plant capacity charge adopted by the Board of Directors. The charge is calculated to be the new customer's fair share of the historic investment in existing capital facilities. In essence, paying this charge makes the new customer have an investment equal to existing customers and there has been no benefit from having delayed connection to the sewer system.

The reserve carries a positive balance from one year to the next. Any temporarily idle portion of the balance is invested and the earnings are returned to the reserve and used to meet expansion capital needs.

All treatment plant capacity charge revenue is placed into this reserve. Although 50 equivalent residential units of growth has been used in establishing the capacity charges, the proposed fiscal year budget anticipates 25 new single family residential equivalent Capacity Units (CUs) will be added to the system. This total may be a mixture among residential, commercial and industrial users. Each new commercial and industrial connection is evaluated using a standard formula. The result is how many CUs the commercial or industrial discharge is equivalent to so that all new customers are treated equally no matter what the nature and quantity of their sewage discharge.

Reserve Cash Flow Estimate

The projected cash flow for the reserve is as follows:

Estimated Balance on Hand @ July 1, 2012	\$1,745,355
+ Predicted Income from 25 New Connections.....	+125,371
+ Predicted Investment Earnings during Fiscal Year	+33,000

= Projected End of Year Reserve Balance	\$1,903,726

Collection System Replacement Reserve

The purpose of the Collection System Replacement Reserve is to accumulate funds for major repairs and replacement of the District's collection system facilities.

Loan From Treatment Plant Replacement Reserve

In September 2003 this reserve received a loan from the Treatment Plant Replacement Reserve in the amount of \$2,400,000 to assist in the funding of the Meiners Oaks Trunk Siphon Project. This loan is scheduled to be repaid over a ten year period; the ninth payment occurs this year.

Transfer Amount

A transfer amount of \$625,812 is scheduled for this year.

Reserve Cash Flow Estimate

The projected cash flow for the reserve is as follows:

Estimated Balance on Hand @ July 1, 2012	\$1,196,170
+ Proposed Transfer from General Fund	+625,812
+ Predicted Investment Earnings During Fiscal Year	+17,000
+ Eighth Payment on Loan From TP Repl. Reserve	-243,564

= Projected End of Year Reserve Balance	\$1,595,418

The transfer amount will be divided by 2 and that much will be transferred from the General Fund during the two months of the year, December & April, when the majority of the service charge revenue is received via the property tax roll.

Equipment Replacement Reserve

The Equipment Fund covers typical office equipment necessary to support administrative and management functions and tools (other than small tools) and equipment necessary to support collection system maintenance and treatment plant operations, other than small tools. This Fund also covers Information Technology equipment and software.

A transfer amount of \$562,554 is scheduled for this year.

These projects will be presented to the Board for approval on a case by case basis.

Reserve Cash Flow Estimate

The projected cash flow for the reserve is as follows:

Estimated Balance on Hand @ July 1, 2012	\$1,231,268
+ Proposed Transfer from General Fund	+562,554
+ Predicted Investment Earnings during Fiscal Year	+18,000
- Scheduled IT Equipment Replaces during Fiscal Year	-376,008
.....	-----
= Projected End of Year Reserve Balance	\$1,435,814

The transfer amount will be divided by 2 and that much will be transferred from the General Fund during the two months of the year, December & April, when the majority of the service charge revenue is received via the property tax roll.

Vehicle Replacement Reserve

The funding to the Vehicle Replacement Fund is based upon the April 2002 Budgeting Estimates for Long Term Capital Replacement Funding Needs study performed by Andrew Belknap of Management Partners.

Our current plan for replacing vehicles is a schedule (which is based upon historical mileage and use records) that allows us to have simplified replacement records and to maintain regular schedules for maintenance.

Transfer Amount

A transfer amount of \$75,458 is scheduled for this year.

Reserve Cash Flow Estimate

The projected cash flow for the reserve is as follows:

Estimated Balance on Hand @ July 1, 2012	\$532,362
+ Proposed Transfer From General Fund.....	+75,458
+ Predicted Investment Earnings during Fiscal Year	+9,300
-	-----
= Projected End of Year Reserve Balance	\$617,120

The transfer amount will be divided by 2 and that much will be transferred from the General Fund during the two months of the year, December & April, when the majority of the service charge revenue is received via the property tax roll.

Building Replacement Reserve

The Building Replacement Reserve Fund was created following a recommendation by the April 2002 Budgeting Estimates for Long Term Capital Replacement Funding Needs study performed by Andrew Belknap of Management Partners.

Transfer Amount

A transfer amount of \$20,874 is scheduled for this year.

Reserve Cash Flow Estimate

The projected cash flow for the reserve is as follows:

Estimated Balance on Hand @ July 1, 2012	\$69,224
+ Proposed Transfer From General Fund.....	+20,874
+ Predicted Investment Earnings during Fiscal Year	+1,120
-	-----
= Projected End of Year Reserve Balance	\$91,218

The transfer amount will be divided by 2 and that much will be transferred from the General Fund during the two months of the year, December & April, when the majority of the service charge revenue is received via the property tax roll.

Collection System Local Capacity Reserve

This Reserve was originally established in early 1999 to receive any Collection System Capacity charges received when a property owner connects to the sewer and has never previously contributed toward the construction of the collection system.

On January 22, 2007 the Board redefined the designated use of this Reserve to be used for capacity issues in the Collection System.

Effective July 1, 2010 this Reserve became the Collection System Local Capacity Reserve.

Reserve Cash Flow Estimate

The projected cash flow for the reserve is as follows:

Estimated Balance on Hand @ July 1, 2012	\$856,606
+ Predicted Transfer of Charges From New Customers	+193,102
+ Predicted Investment Earnings during Fiscal Year	+ 17,000

= Projected End of Year Reserve Balance	\$1,066,708

Because of the special source of these funds the charges will be transferred only when they are received from a new customer.

Collection System Trunk Capacity Reserve

This Reserve was established in July 2010 following the Board's adoption of Ordinance No. OVSD-61.

This Reserve receives all Collection System Trunk Capacity charges when a property owner connects to the sewer. The designated use of this Reserve is for capacity issues in the Trunk portion of the District's Collection System.

Reserve Cash Flow Estimate

The projected cash flow for the reserve is as follows:

Estimated Balance on Hand @ July 1, 2012	\$26,009
+ Predicted Charges From New Customers	+72,352
+ Predicted Investment Earnings during Fiscal Year	+ 500

= Projected End of Year Reserve Balance	\$101,861

Because of the special source of these funds the charges will be transferred only when they are received from a new customer.

Contingency & Stabilization Reserve

This reserve was established in order to have the ability to smooth out rates by banking funds in years with unexpected excess income and releasing the funds in other years to even out or stabilize rates.

The fund is also used as a funding source for unexpected and unbudgeted activities or items which develop during the year for which no other source of funds exists.

Reserve Cash Flow Estimate

The projected cash flow for the reserve is as follows:

Estimated Balance on Hand @ July 1, 2012	\$1,122,513
+ Predicted Investment Earnings during Fiscal Year	+22,000
- Transfer to General Fund for Operations Budget	-201,344

= Projected End of Year Reserve Balance	\$943,169

Future Purchases Reserve

This reserve was established in order to have a fund available to save over several years for the purchase of equipment/etc. that doesn't legitimately qualify to be purchased out of one of the other reserves. These purchases will be large ticket items that would affect the sewer service rates if the funds to purchase one or more of them were budgeted all in one year. This fund is also used to buy new items and to re-condition items that have been replaced for use as backup to the replaced items.

Transfer Amount

A transfer amount of \$55,215 is scheduled for this year.

Reserve Cash Flow Estimate

The projected cash flow for the reserve is as follows:

Estimated Balance on Hand @ July 1, 2012	\$171,777
+ Proposed Transfer From General Fund.....	+55,215
+ Predicted Investment Earnings during Fiscal Year	+3,582

= Projected End of Year Reserve Balance	\$230,574

SECTION 3

Section 3 – Debt Service Budget

Introduction

The District has two debt issues that have been used to pay for various capital projects. These are:

- ❖ 2003 COP Series
- ❖ 2007 COP Series

In this section each of the debt issues is described and details of its proposed financial operation in the next fiscal year are presented.

2003 COP SERIES

The District undertook a project to rehabilitate a significant portion of the sewage collection system in the City of Ojai in 1993. The project became known as the "1927 System Rehabilitation" and was financed by issuing \$6,605,000 in Certificates of Participation (COPs). The COPs were secured by a pledge of the District to maintain its service charge rates in at least a certain ratio to the annual debt service payments and a pledge of available revenues to make the annual debt service payments for the life of the COPs.

This COP debt would have had second call on District revenues behind a 1978 Oak View Sanitary District Revenue Bond and it would have received an interest rate penalty because the debt payments would appear to potential investors to be less secure. The Board decided to pay off the Oak View revenue bond by increasing the size of the COP issue by the \$680,000 of the then remaining outstanding Oak View revenue bonds, bringing the COP total to \$7,285,000. This plan placed all revenue secured debt on the same level and eliminated any interest penalty. The Oak View bond-refinancing portion of the COPs debt service was the responsibility of only the users of the former Oak View Sanitary District collection system; therefore, that portion of the COP debt was treated as if it were separate from the larger amount. The final payment on this portion of the COP debt was collected from the "Oak View Ratepayers" during fiscal year 2004-05.

In 2003 we refinanced the COPs with Revenue Bonds. We achieved significant savings with lower interest rates. All of the COPs were called in September 2003 and paid off with the proceeds from our Revenue Bond sale in January 2003. The 2003 Revenue Bonds replaced the 1993 COP issue.

The District's revenue is pledged to the new 2003 Revenue Bond issue, as it was to the original COP issue. The District has a debt ratio limit of 1.2 which limits the amount of debt it can assume relative to its operations budget, our operation expenses must not fall below 1.2 times the debt payments. This ratio insures the Bond holders and owners that their investment is secure. This same debt ratio was a condition of our 1993 COP issue.

The District must also file an Annual Report for the benefit of the Bond holders and owners. This report must include information such as: the number of new connections; a description of changes in charges and fees; and internal fund balances. The District's annual financial audit meets all of these requirements and will be utilized as the Annual Report.

The 2003 Revenue Bonds have no payment reserve as did the 1993 COPs. The security provided by the payment reserve has been replaced by an insurance policy.

Payment Responsibility

The major portion of the original COP debt was used to pay for rehabilitation of a portion of the sewage collection system. The entire District is responsible for repayment of this debt. A dispute arose about how the responsibility should be allocated among service areas within the District. Based upon a 1992 decision of the master judge, the City of Ojai is to pay 50% while the rest of the District is to pay the remaining 50%. Because there are fewer customers within the City service area than outside the City, there are two rates for this special increment – City and non-City. The master judge’s decision also applies to the 2003 Revenue Bonds.

The following table shows the remaining debt service on the COP:

<u>Period Ending (September 1)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2012	265,000.00	169,393.76	434,393.76
2013	275,000.00	160,118.76	435,118.76
2014	290,000.00	150,218.76	440,218.76
2015	295,000.00	139,343.76	434,343.76
2016	315,000.00	127,543.76	442,543.76
2017	325,000.00	114,943.76	439,943.76
2018	335,000.00	101,537.50	436,537.50
2019	355,000.00	87,300.00	442,300.00
2020	375,000.00	71,325.00	446,325.00
2021	385,000.00	54,450.00	439,450.00
2022	400,000.00	37,125.00	437,125.00
2023	425,000.00	19,125.00	444,125.00
TOTALS	\$4,040,000.00	\$1,232,425.06	\$5,272,425.06

Annual debt service for the Bonds is due September 1 of each year.

No specific amount of the debt is assigned to each property; therefore, “early pay-off” for an individual property is not possible, the obligation runs with the District as a whole for the life of the debt issue.

In order to avoid an increase in the monthly amount charged to each CU the increment applied to this debt service payment will remain unchanged from the 2010-2011 fiscal year budget.

Inside Ojai City Limits:

\$4.25/ month / CU

Outside Ojai City Limits:

\$2.39/ month / CU

Cash Flow Estimate

The projected cash flow for the reserve is as follows:

Estimated Balance on Hand @ July 1, 2012	\$915,738
- Scheduled Debt Service Payment September 1, 2012.....	-434,394
+ Proposed Amount Raised From Service Charge –	+434,394
+ Predicted Investment Earnings during Fiscal Year	+13,200

= Projected End of Year Reserve Balance	\$928,938

2007 COP SERIES

The 2007 Certificates of Participation (COP) issue was sold November 2007 creating a \$7,310,000 debt issue for the District. The purpose of this debt is to fund projects identified in the 2007 Collection System Capital Improvement Plan.

Projects proposed to be funded from this debt are identified in the Collection System Replacement Reserve in Section 2.

Similar to the 2003 COP Series, the 2007 Series was secured by a pledge of the District to maintain its service charge rates in at least a certain ratio to the annual debt service payments and a pledge of available revenues to make the annual debt service payments for the life of the COPs. The District has a debt ratio limit of 1.2 which limits the amount of debt it can assume relative to its operations budget, our operation expenses must not fall below 1.2 times the debt payments. This ratio insures the Bond holders and owners that their investment is secure. This same debt ratio was also a condition of our 2003 COP issue.

The District must also file an Annual Report for the benefit of the Bond holders and owners. This report must include information such as: the number of new connections; a description of changes in charges and fees; and internal fund balances. The District's annual financial audit meets all of these requirements and will be utilized as the Annual Report.

The 2007 COP issue has no payment reserve. The security provided by the payment reserve has been replaced by an insurance policy.

The annual debt service payment on this issue is due early in the fiscal year (September 1) so the funds must be on hand when needed. The payment due on September 1, 2011 will be made from funds collected during Fiscal Year 2009-2010. The funds collected during Fiscal Year 2011-2012 will actually be used to make the payment in Fiscal Year 2012-2013. Consistent with the policy throughout the District, temporarily idle cash is invested and the earnings placed into the account. These interest earnings are used to reduce the respective portions of the debt service payments.

The following table shows the remaining debt service on the COP:

<u>Period Ending (September 1)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2012	150,000.00	285,403.76	435,403.76
2013	155,000.00	280,153.76	435,153.76
2014	160,000.00	274,728.76	434,728.76
2015	165,000.00	268,968.76	433,968.76
2016	175,000.00	262,987.50	437,987.50
2017	180,000.00	256,425.00	436,425.00
2018	185,000.00	249,450.00	434,450.00
2019	195,000.00	242,281.26	437,281.26
2020	205,000.00	234,188.76	439,188.76
2021	210,000.00	225,681.26	435,681.26
2022	220,000.00	216,966.26	436,966.26
2023	230,000.00	207,836.26	437,836.26
2024	240,000.00	198,061.26	438,061.26
2025	250,000.00	187,861.26	437,861.26
2026	260,000.00	177,236.26	437,236.26
2027	275,000.00	165,861.26	440,861.26
2028	285,000.00	153,830.00	438,830.00
2029	300,000.00	141,361.26	441,361.26
2030	310,000.00	128,236.26	438,236.26
2031	325,000.00	114,673.76	439,673.76
2032	340,000.00	100,455.00	440,455.00
2033	355,000.00	85,580.00	440,580.00
2034	370,000.00	69,960.00	439,960.00
2035	390,000.00	53,680.00	443,680.00
2036	405,000.00	36,520.00	441,520.00
2037	425,000.00	18,700.00	443,700.00
TOTALS	\$6,760,000.00	\$4,637,087.66	\$11,397,087.66

Annual debt service for the Bonds is due September 1 of each year.

No specific amount of the debt is assigned to each property; therefore, "early pay-off" for an individual property is not possible, the obligation runs with the District as a whole for the life of the debt issue.

Cash Flow Estimate

The projected cash flow for the reserve is as follows:

Estimated Balance on Hand @ July 1, 2012	\$1,074,642
- Scheduled Debt Service Payment FY 2012/13.....	-435,404
+ Proposed Transfer from General Fund	+435,404
+ Predicted Investment Earnings during Fiscal Year	16,200

= Projected End of Year Reserve Balance	\$1,090,842