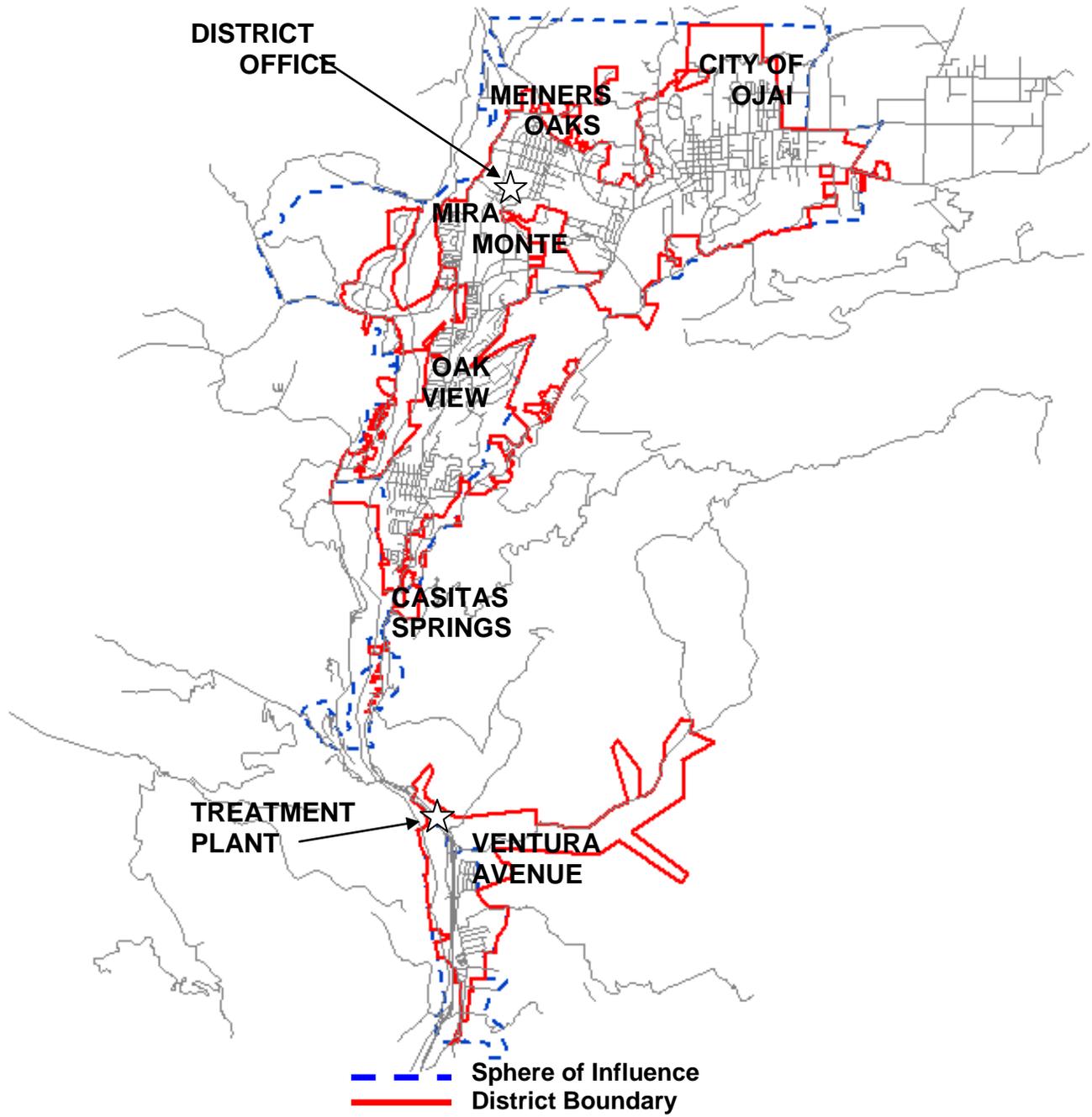


OJAI VALLEY SANITARY DISTRICT



**Preliminary Budget
Fiscal Years
2015-16 & 2016-17**

Ojai Valley Sanitary District



**OJAI VALLEY SANITARY DISTRICT
2015 BOARD OF DIRECTORS**

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**EXECUTIVE
SUMMARY**

Executive Summary

April 15, 2015

Board of Directors
Ojai Valley Sanitary District
Ojai, CA 93023

FISCAL YEARS 2015-16 & 2016-17 PRELIMINARY BUDGET

I am pleased to present to the Board the Ojai Valley Sanitary District's Preliminary Budget for Fiscal Years 2015-2016 and 2016-17.

Prior to preparation of this Two-Year Budget, Staff completed an in depth review of all the reserve funds, the Customer Service Database, completed a fee and financial plan analysis, reviewed Operations and Maintenance budgets and the Capital Improvement Program. In addition, the following Major Drivers were also considered:

- Algae TMDL Program Implementation
- Inflow and Infiltration (I&I) Control
- Laterals, Roots, Rags and Protrusions
- Constituents of Emerging Concerns (CEC's)
- Collection System Rehabilitation
- Treatment Plant Optimization
- Spill Prevention
- Staffing

The comprehensive review results show that each of the following areas play an important role in meeting the environmental discharge restrictions, maintaining a fiscally conservative business approach, maintaining a high quality and safe collection and treatment system and looking to the future. This effort looks at planning for the next 10-20 years:

- Collection System Rehabilitation and I&I Control
 - Lateral Program
 - Enhanced Root, Rag and Grease maintenance
 - I&I reduction for groundwater protection and nutrient reduction
 - Aging system rehabilitation, reconstruction and lining
- Treatment Plant Optimization
 - Algae TMDL Compliance
 - Enhanced Constituent testing and Control
 - Nutrient and Constituent removals
 - Implement Solar Improvements for Energy production and shade in critical areas to lessen maintenance related to algae growth
 - Study the effects of reduced flow due to drought issues and related increasing strength of flow

- Capital Improvement Program Implementation
- Staffing Increase By 2 Positions
- Reserve Fund Enhancement and Fiscal Management

This two-year budget has been prepared to begin to focus and address the Major Drivers listed above.

This Preliminary Budget has been prepared with the following information:

- 0% increase in wages matching the CPI increase
- No increase in employee benefits
- 2% increase in rates
- Restructure of Reserve Funds
- Enhanced Collection System Investment
- Funding for Algae TMDL/Nutrient studies and projects

Income

Sewer service charges comprise the vast majority of the District's income; however, interest, fees and property tax also make up the income stream. The proposed budget includes a couple of changes to the total income.

First, Staff has slightly increased the projected/anticipated interest rate the District will receive on our investments due to the investment performance over the past 2-year cycle.

Second, during our 3-year Commercial Account review and in conjunction with our Customer Service Database and County Tax roll review, we have reduced the number of Capacity Units that will be billed.

O&M

The proposed O&M budget has been increased slightly from FY 2014-15 based on actual operational needs.

Reserves

A couple of proposed changes are included in this two-year budget. The elimination of two reserve funds; it has been determined that the balance in the Treatment Plant Upgrade Reserve and the Future Purchases Reserve can be better utilized in other funds. The balance in the Treatment Plant Upgrade Reserve will be transferred into the Treatment Plant Replacement Reserve and the balance in the Future Purchases Reserve will be transferred into the Collection System Replacement Reserve. In addition, Staff is focusing on building the Contingency & Stabilization Reserve where possible and feasible. This "Rainy Day" fund is typically used for rate stabilization and unfunded emergencies. A reserve balance equivalent to 50 percent of the O&M budget would be an appropriate amount. It will take several years and prudent budgeting to meet this goal; however, small focused steps will help achieve some enhanced savings.

Staff has also reviewed the 2003 and 2007 bond fund reserves. A re-allocation of these reserves to continue to meet bond payment requirements, while reducing the customer charges, is possible and included in this budget.

CIP

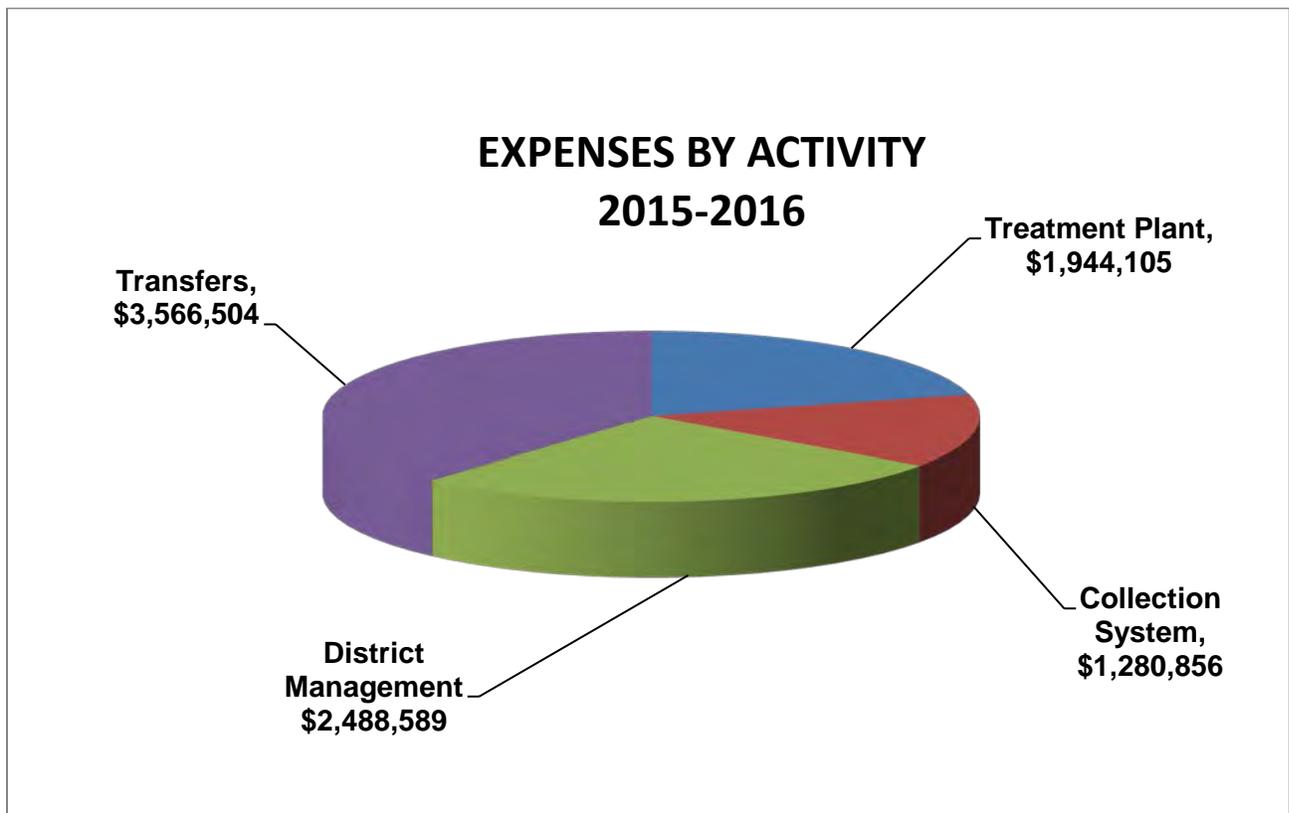
The first 5 years of the CIP represent the highest priority and most immediate project needs. The aging collection system, dating back to the 1920's is showing signs of age, settlement, corrosion and decay. Staff will continue to watch the most concerning areas, however, a steady and improved re-investment is necessary. The Treatment Plant, built in 1997 is in very good shape, however improvements to the instrumentation and treatment system is required to meet the Algae TMDL nutrient goals.

Operating Budget

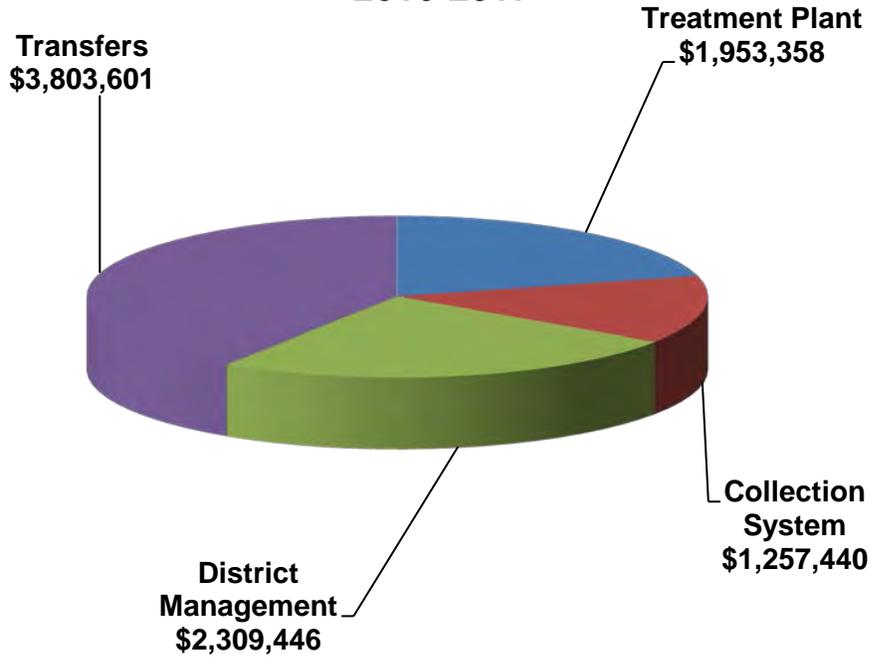
The operating budget is the routine operation and maintenance of District facilities and services at their existing service level and does not directly include funds for upgrades, increased capacity, or betterments. The operating budget is broken down in several different ways in the following material.

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 charts.



EXPENSES BY ACTIVITY 2016-2017

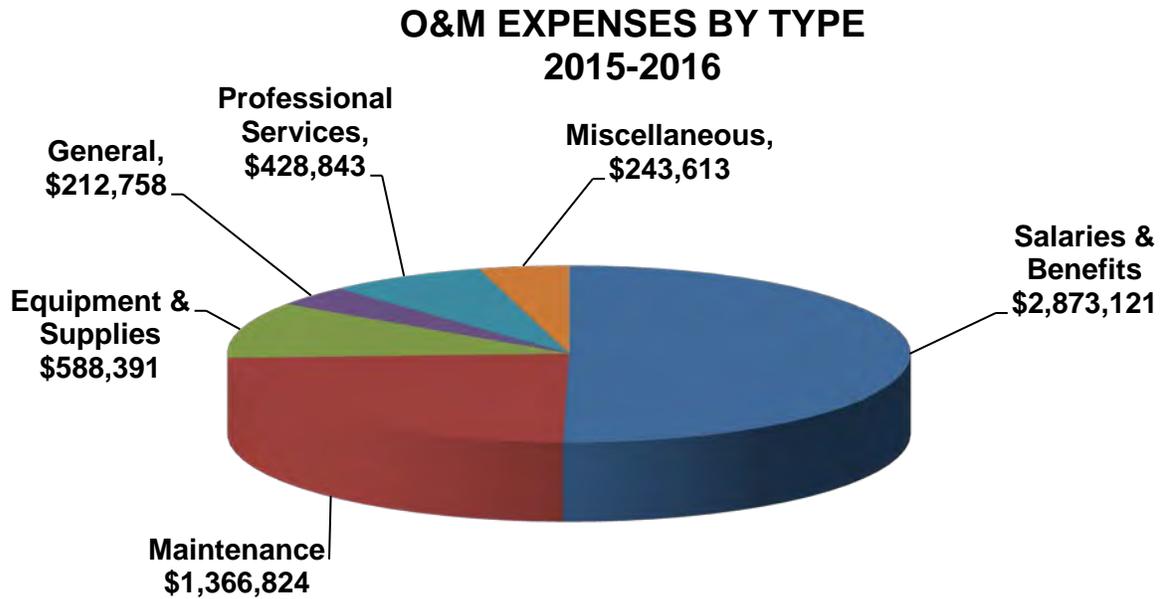


The following table compares the FYs 2013-14 & 2014-15 budgets to the current year budget

Expense Summary By Activity	FY 14-15	FY 15-16	FY 16-17
Treatment Plant	\$1,836,957	\$1,944,105	\$1,953,358
Collection System	\$1,157,379	\$1,280,856	\$1,257,440
District Management	\$2,266,976	\$2,488,589	\$2,309,446
Transfers	\$3,545,641	\$3,566,504	\$3,803,601
Totals	----- \$8,806,953	----- \$9,280,054	----- \$9,323,845

O&M Expenses By Type

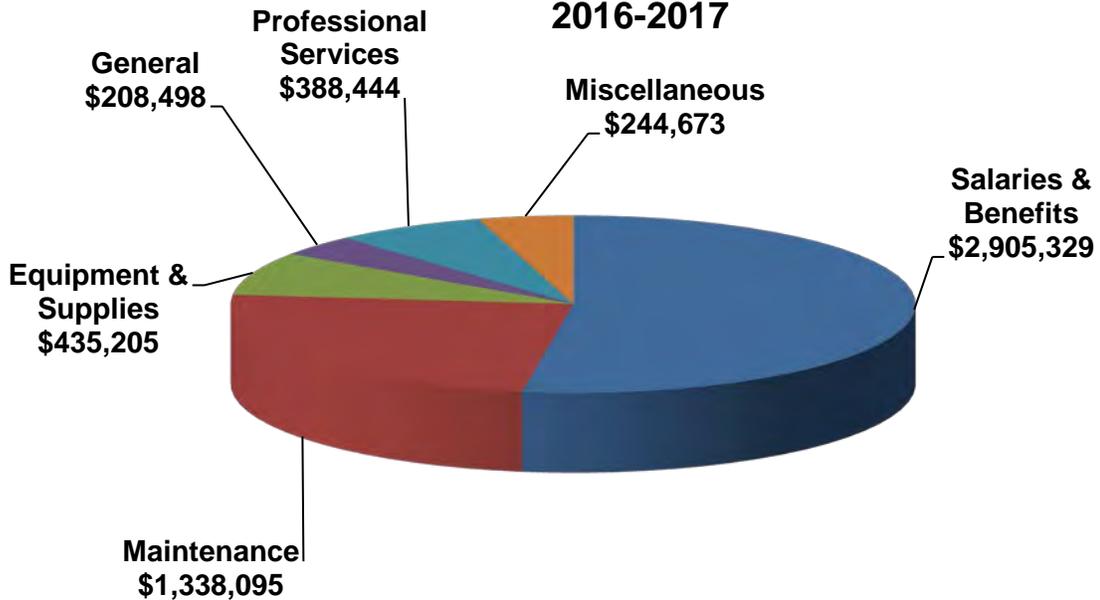
Treatment plant, Collection System and District Management budgets are a reflection of the on-going activities of the District. It is interesting to note how the same expense type varies from one activity to another. For example, routine professional services are higher in District management because 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	903,355	822,838	1,146,928	\$2,873,121	50%
Maintenance	816,560	383,225	167,039	\$1,366,824	24%
Equipment & Supplies	121,740	23,168	443,483	\$588,391	10%
General	590	750	211,418	\$212,758	4%
Professional Services	57,300	23,480	348,063	\$428,843	8%
Miscellaneous	44,560	27,395	171,658	\$243,613	4%
Totals	1,944,105	1,280,856	2,488,589	\$5,713,550	

O&M EXPENSES BY TYPE 2016-2017



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

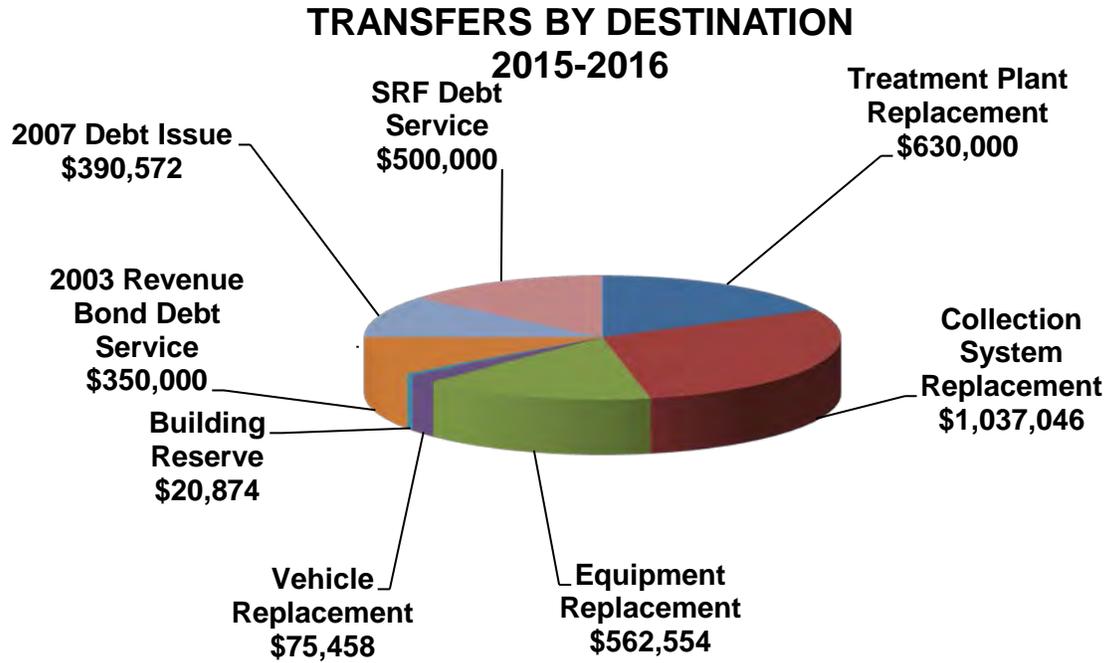
O&M Expense Type	T/P	C/S	D/M	Total	Pct
Salaries & Benefits	913,922	842,067	1,149,340	\$2,905,329	52.6%
Maintenance	820,860	342,580	174,655	\$1,338,095	24.2%
Equipment & Supplies	119,740	23,168	292,297	\$435,205	7.9%
General	590	750	207,158	\$208,498	3.8%
Professional Services	55,626	21,480	311,338	\$388,444	7%
Miscellaneous	42,620	27,395	174,658	\$244,673	4.4%
Totals	1,953,358	1,257,440	2,309,446	\$5,520,244	

The Salaries & Benefits category for both fiscal years appears to be maintaining a proportional consistency with prior years and 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 fiscal year 2015-16's budget the following chart shows the destination or intended use of the transfers.



The following table shows the transfers in tabular form.

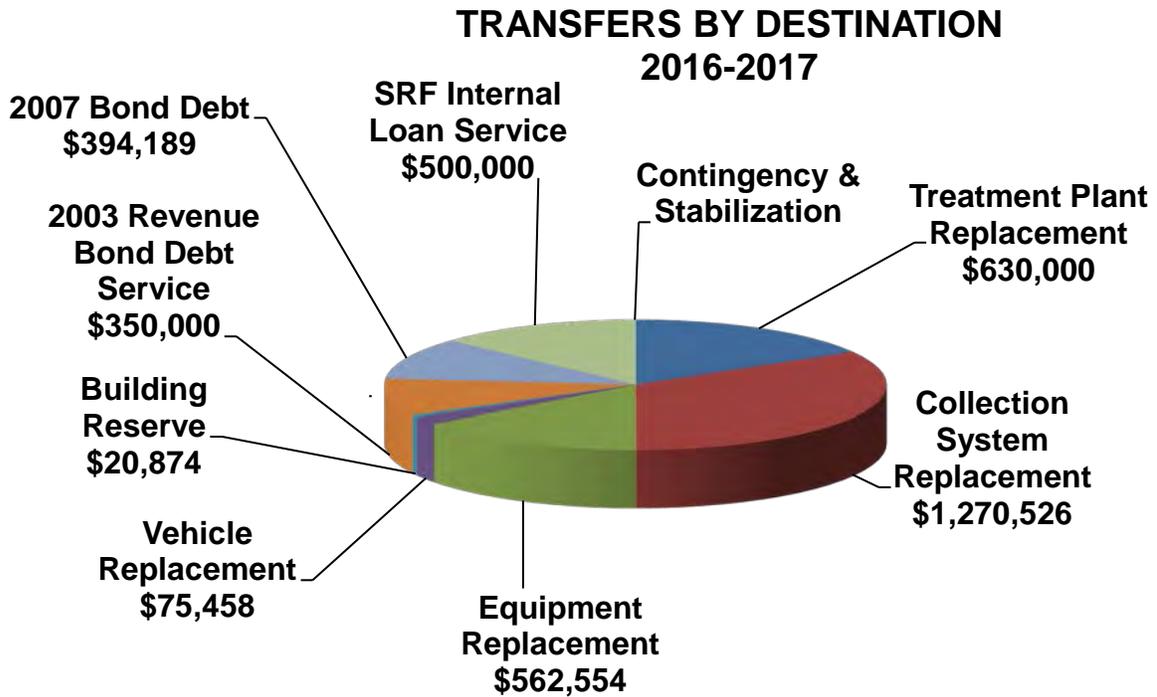
Transfer Destination	Transfer Amt. for 2015-16
Treatment Plant Replacement	\$630,000
Collection System Replacement	\$1,037,046
Equipment Replacement	\$562,554
Vehicle Replacement	\$75,458
Building Reserve	\$20,874
2003 Revenue Bond Debt Service	\$350,000
2007 Debt Issue	\$390,572
SRF Debt Service (Internal Loan)	\$500,000

	\$3,566,504

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

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

For fiscal year 2016-17's budget the following chart shows the destination or intended use of the transfers.



The following table shows the transfers in tabular form.

Transfer Destination	Transfer Amt. for 2016-17
*Treatment Plant Replacement	\$630,000
Collection System Replacement	\$1,270,526
Equipment Replacement	\$562,554
Vehicle Replacement	\$75,458
Building Reserve	\$20,874
2003 Revenue Bond Debt Service	\$350,000
2007 Debt Issue	\$394,189
SRF Debt Service (Internal Loan)	\$500,000

	\$3,803,601

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

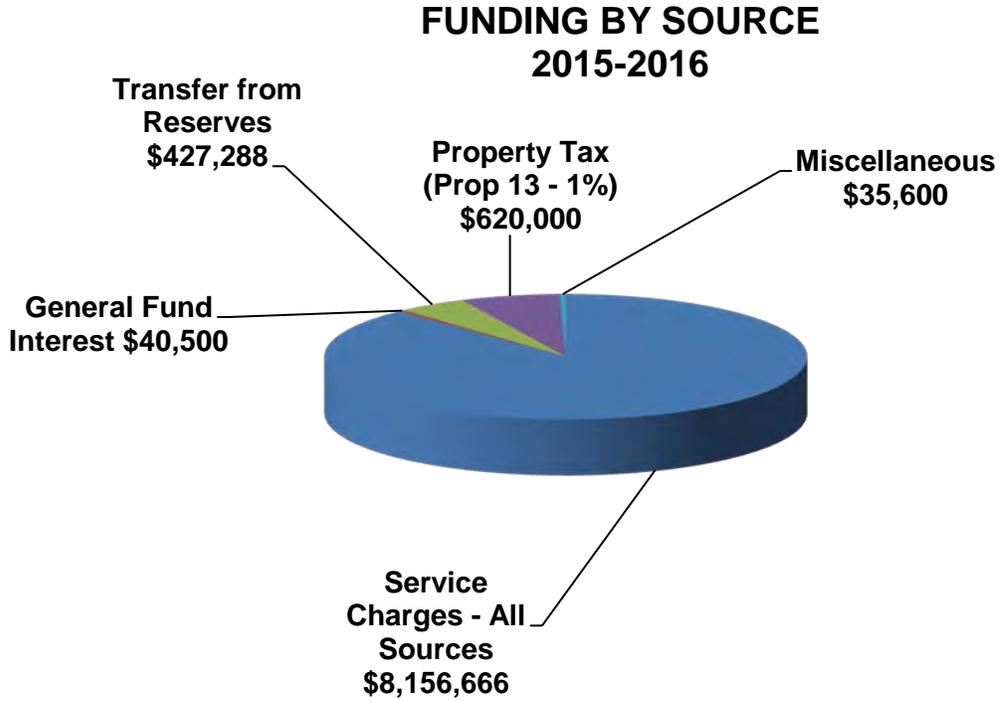
The uses of the various reserve funds are presented in greater detail in Sections 2 and 3 of the budget.

Personnel

The District work force consists of 21 full-time positions.

Funding

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

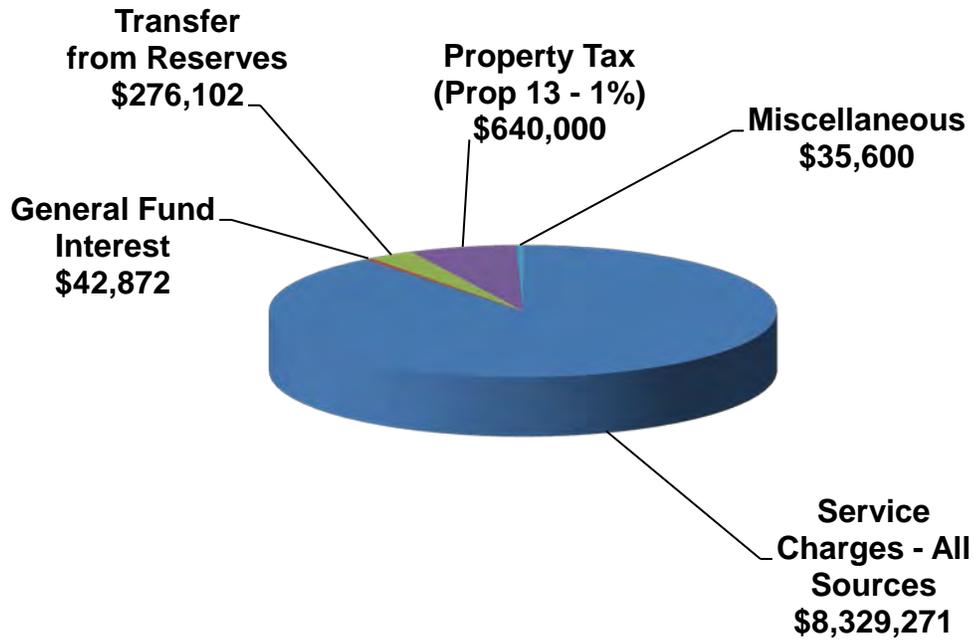


The following table shows the funding in tabular form.

Description	Amount	Pct
Service Charges - All Sources	\$8,156,666	88%
General Fund Interest	\$40,500	0%
Transfer from Reserves	\$427,288	5%
Property Tax (Prop 13 - 1%)	\$620,000	7%
Miscellaneous	\$35,600	1%

Total	\$9,280,054	

FUNDING BY SOURCE 2016-2017



The following table shows the funding in tabular form.

Description	Amount	Pct
Service Charges - All Sources	\$8,329,271	89%
General Fund Interest	\$42,872	0%
Transfer from Reserves	\$276,102	3%
Property Tax (Prop 13 - 1%)	\$640,000	7%
Miscellaneous	\$35,600	1%

Total	\$9,323,845	

Service Charge Rates – Fiscal Year 2015-2016

The sewer service charge rate is set at \$53.47 effective July 1, 2015.

Service Area	Basic Service	2003 Debt Issue	Total Rate
Oak View	53.47	1.89	55.36
Ojai	53.47	3.37	56.84
Meiners Oaks	53.47	1.89	55.36
Ventura Avenue	53.47	1.89	55.36

The add on increments to pay for 2003 Debt Issue costs which are not part of the basic service are shown above and described in greater detail in Section 3 -- Debt Service.

Service Area	FY14-15 Rate	FY15-16 Rate	Rate Change	% Chg
Oak View	52.42	53.47	1.05	2%
Ojai	52.42	53.47	1.05	2%
Meiners Oaks	52.42	53.47	1.05	2%
Ventura Avenue	52.42	53.47	1.05	2%

Service Charge Rates – Fiscal Year 2016-17

The sewer service charge rate is set at \$54.54 effective July 1, 2016.

Service Area	Basic Service	2003 Debt Issue	Total Rate
Oak View	54.54	1.89	56.43
Ojai	54.54	3.37	57.91
Meiners Oaks	54.54	1.89	56.43
Ventura Avenue	54.54	1.89	56.43

The add on increments to pay for 2003 Debt Issue costs which are not part of the basic service are shown above and described in greater detail in Section 3 -- Debt Service.

Service Area	FY15-16 Rate	FY16-17 Rate	Rate Change	% Chg
Oak View	53.47	54.54	1.07	2%
Ojai	53.47	54.54	1.07	2%
Meiners Oaks	53.47	54.54	1.07	2%
Ventura Avenue	53.47	54.54	1.07	2%

2015-2016
DEBT SERVICE & RESERVES

Reserves

The transfers into the reserves (other than Debt Service) total \$2,825,932 plus interest of \$194,700 will total \$3,020,632.

Debt Service

The transfers into the debt service accounts total \$740,572 plus interest of \$20,500 will total \$761,072. After expenses to pay principal, interest and trustee charges on the various debts, the outstanding debt owed will be reduced by \$460,000.

2016-2017
DEBT SERVICE & RESERVES

Reserves

The transfers into the reserves (other than Debt Service) total \$3,059,412 plus interest of \$199,928 will total \$3,259,340.

Debt Service

The transfers into the debt service accounts total \$744,189 plus interest of \$25,200 will total \$769,389. After expenses to pay principal, interest and trustee charges on the various debts, the outstanding debt owed will be reduced by \$490,000.

SUMMARY

The Fiscal Years 2015-16 & 2016-17 Preliminary 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

OJAI VALLEY SANITARY DISTRICT



**Preliminary Budget
Fiscal Year
2015-2016**

SECTION 1

Operating Budget 2015-2016

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 using a GapVac combination sewer cleaning machine and a van equipped with CCTV video inspection equipment
- ❖ 9 sewage siphons with pipe sizes ranging from 4" to 16" and lengths of 82' to 3,300'
- ❖ 5 sewage lift stations (Orchard Rd. LS, Santa Ana #1, Santa Ana #2, Rancho Matilija, Ojai Y-Lift Station); 10 pumps operate at these five lift stations, with 4 standby generators
- ❖ 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 2014 the treatment plant processed 574.6 million gallons of wastewater – That is an average daily flow of 1.57 million gallons, or 1,763 acre feet of tertiary treated water discharged to the Ventura River – Rainfall recorded during CY-2014 at the treatment plant was 11.2 inches
- ❖ District Office housing the Board and a public meeting room, District Management personnel and Collection System personnel.

STAFFING

The District staff consists of 21 full time positions.

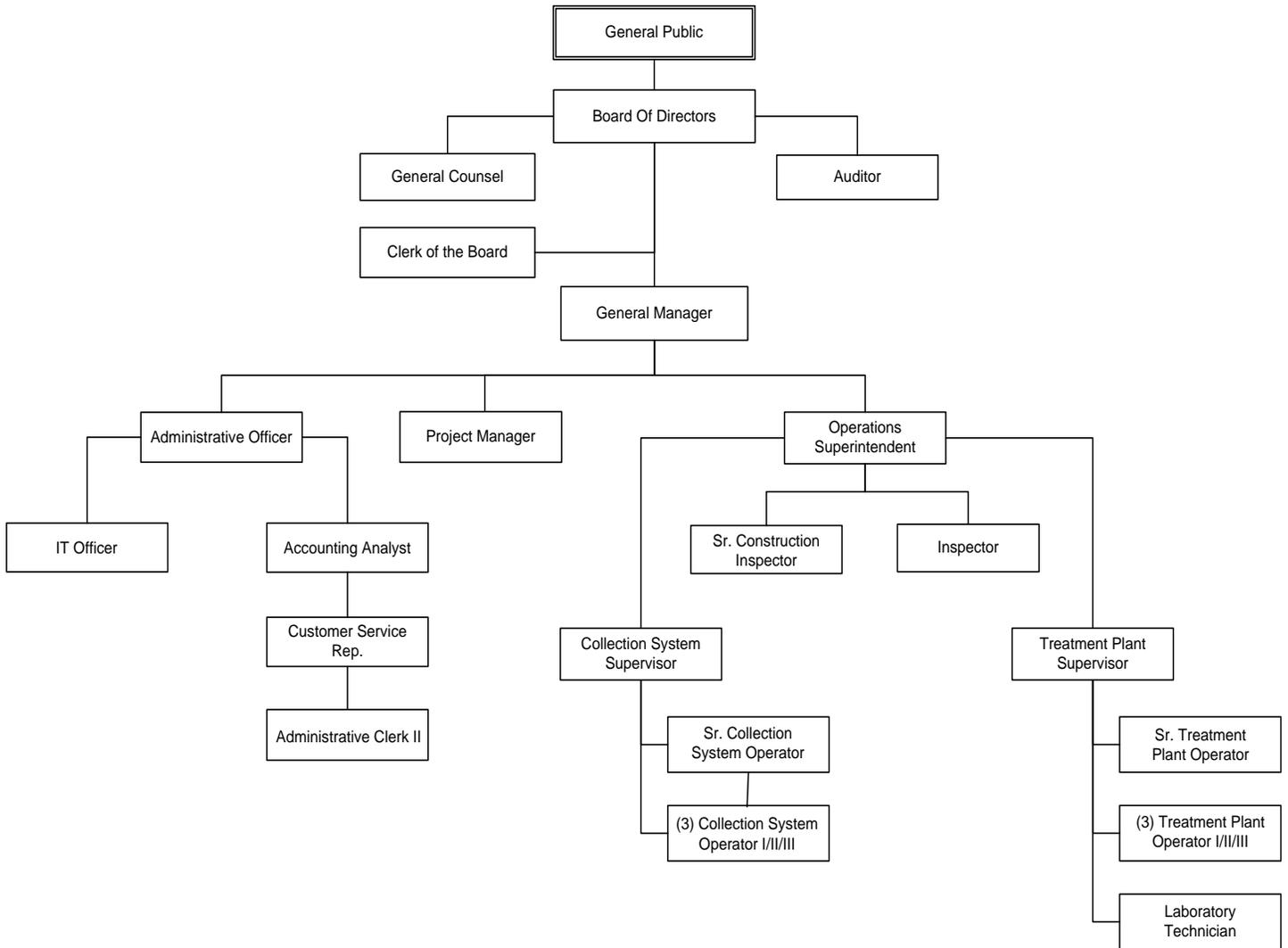
The staffing complement of authorized positions next fiscal year would be as follows:

Position Description	Pay Range	Authorized FY 2014-15	Proposed FY 2015-16	Change
General Manager	FR	1	1	0
Administrative Officer	33	1	1	0
Information Tech. Officer	31	1	1	0
Project Manager	26	0	1	1
Accounting Analyst	23	1	1	0
Customer Srvc Representative	20	1	1	0
Administrative Clerk I/II	15/17	1	1	0
Operations Superintendent	33	1	1	0
TP Supervising Operator	28	1	1	0
Laboratory Technician II	24	1	1	0
TP Senior Operator	25	1	1	0
TP Operator I/II/III	20/22/23	3	3	0
CS Supervising Operator	28	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	0	
Inspector	23	0	1	1
Totals	--	19	21	2

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 requirements of the District's National Pollution Discharge Elimination System (NPDES) Permit No. CA-0053961. The goal of treatment plant staff is 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 2015-16.

Operations:

- ❖ It is 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; maintaining the UV system and plant processes' electrical components in optimal condition to include operational and maintenance condition; operating the belt press during off-peak hours; and installation of efficient light fixtures. To reduce electrical cost the treatment plant participates in SCE's Demand Bidding Program and EnerNOC Demand SMART Program, both which are SCE financial incentive programs that pay a premium price for power (Kwh) reduced during extreme heat periods.
- ❖ The treatment plant's 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 utilized for recording and scheduling plant maintenance activities. Staff is working to ensure the CMMS program can be used as a basis for budgetary projections.
- ❖ 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 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 most recent 2013 NPDES permit lists an interim phosphorus discharge of 2.6 mg/L, and then the seasonal pound limit essentially requires <1 mg/L at 2.1 mgd. Staff's goal is to optimize the biological phosphorus removal process during the interim period, and perform pilot testing to identify how to meet and comply with future limitations. For Calendar Year – 2014 the effluent average was 0.8 mg/L with a high of 1.4 mg/L.
- ❖ Plant staff continues to actively pursue optimization of the biological nutrient removal processes to assist in identification of future improvements to meet TMDL requirements. Nitrate and ORP meters and controls were installed on oxidation

ditch #1 during 2012, and were very beneficial to increasing process understanding. The same meters and controls were added to oxidation ditch #2 during 2013, to include installation of nitrate and ammonia meters at the plant influent, the anaerobic zone, and effluent that will allow for calculation of process removal efficiencies. During 2015-16 staff will continue pilot testing to achieve additional denitrification (lower nitrates) within the biological process.

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 in accordance with regulatory guidelines, accurately, and submitted on-time. All correspondence and reporting to the Los Angeles RWQCB is now performed electronically.
- ❖ The SWRCB's CIWQS electronic reporting system for NPDES data was implemented during 2010. Staff's early goal to learn and implement the monthly CIWQS electronic reporting was achieved. During 2014 the EPA's Discharge Monitoring Report was added to the CIWQS electronic reporting. Staff's goal for 2015-16 is to submit the required reports accurately and on time in compliance with the SWRCB's 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. This means the UV system channel and lamps are operationally kept clean for maximum UV transmittance, which allows staff to operate with the minimum number of UV banks on-line at any given time.
- ❖ The backup chemical disinfection system utilizes liquid 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. To do so the use of filter aids is kept to a minimum required for regulatory compliance thereby reducing chemical costs.

Laboratory:

- ❖ The plant's NPDES Permit was renewed during 2013, and monitoring for CEC's (Chemical of Emerging Concern) a regulatory hot topic are required for at least two years. The 2013 NPDES permit maintained river station monitoring similar to

previous permits, but increased overall treatment plant reporting requirements to include increased TN – TP monitoring. Staff's goal during the past 5-years was to perform the increased monitoring to include the Ventura River Watershed Monitoring efforts and still maintain a high quality of laboratory operations, and that was successful. The goal for 2015-16 will be to implement the 2013 NPDES monitoring requirements and maintain the same high level of laboratory operations.

- ❖ The Ventura River Algae TMDL effluent requirements were included in the 2013 NPDES Permit. As noted above pilot testing is in-progress and process operating adjustments are currently being implemented. The new monitoring equipment that has been installed allows staff to observe the results of these process adjustments in real time. There are pending oxidation ditch improvements that include adding VFD's and a new style of submerged aerators for improved electrical and process efficiency. In addition associated new mechanical equipment will allow for automated process adjustments using the new nitrate monitoring equipment. The data currently being collected by the new monitoring equipment will be the basis for future design improvements to meet the TMDL requirements. The laboratory will experience a significant increase in process monitoring to support the process adjustments and new monitoring equipment. The goal and challenge here is for the laboratory and plant staff to develop a comprehensive testing program that gathers the necessary process data to design future plant improvements to meet the TMDL in an efficient and cost-effective manner.
- ❖ The pretreatment program is fully implemented. Outside assistance has successfully been utilized to assist with industrial discharger (FOG) 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. This effort is complimented through the use of the SDB's (Sludge Drying Beds) weather permitting to further dewater the biosolids, and for composting during the summer months.
- ❖ During calendar year 2014, approximately 72 % of the plant's biosolids were composted yielding roughly 1,130 cubic yards of compost produced 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.

Projects – Upgrades

- ❖ The plant continues to conduct pilot testing for nitrate reduction and during 2015. To-date pilot testing was on a small scale of 3-9 gallons per minute to identify ranges of detention time to further evaluate. During 2015 the pilot testing performed will be on a larger scale that will involve additional testing to include adding small dosages of a food for the organisms.
- ❖ Improvements at the sludge dewatering beds to increase the storm water detention capacity will help to protect the treatment plant processes and minimize potential effluent violations during major storms.
- ❖ Major expenditures for equipment maintenance during FY 2015-16 will be replacements of a refrigerated sampler, influent channel grinder, waste activated sludge pump rebuild, and replacement of the UV lamps and sleeves for effluent disinfection.

The Treatment Plant staff will continue their efforts to operate and maintain the plant in a manner that all 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 13-14	FY 14-15	YTD @ 02/15	FY 15-16	% Chg
4210	Regular Wages - T/P	524,765	535,784	315,860	547,205	2.13%
4220	Extra Help - T/P	33,750	34,270	22,945	34,360	0.26%
4230	Overtime - T/P	39,613	40,006	18,780	41,050	2.61%
4240	Standby Time - T/P	11,860	11,860	8,307	12,200	2.87%
4610	FICA/Medicare Expense - T/P	8,585	8,757	4,668	8,351	-4.64%
4620	Retirement Expense - T/P	101,779	108,455	70,803	118,823	9.56 %
4640	Health Insurance Exp - T/P	92,366	107,962	74,288	113,230	4.88%
4660	Life Ins. Benefits - T/P	1,582	1,582	935	1,403	-11.31%
4670	Vision Insurance Exp - T/P	1,880	1,880	1,355	2,033	8.14%
4680	Unemployment Ins. Exp - T/P	0	0	0	0	0.00%
4685	Disability Ins. Exp -T/P	6,429	6,546	3,267	5,059	-22.72%
4690	Workers Comp Ins. - T/P	21,657	22,740	16,955	19,641	-13.63%
5005	Utilities - T/P	318,680	331,050	226,327	358,190	8.20%
5020	Building/Grounds Main - T/P	49,905	49,905	45,774	54,020	8.25%
5025	Vehicle Maint/Fuel - T/P	37,250	38,460	25,623	44,400	15.44%
5035	Meter Maintenance - T/P	9,230	9,230	1,979	6,350	-31.20%
5040	Equipment Maintenance - T/P	112,750	120,750	126,846	124,000	2.69%
5045	Electrical Maintenance - T/P	40,100	42,600	23,384	32,200	-24.41%
5050	Other Equip Maint - T/P	13,350	13,350	6,000	21,350	59.93%
5060	Biosolid Handling	90,700	82,700	48,541	79,800	-3.51%
5065	Hazardous Material Disposal	330	330	2,324	1,250	278.79%
5080	Outside Laboratory Analysis	94,975	95,915	75,879	95,000	-0.95%
5210	Safety Equip/Supply - T/P	16,605	7,505	10,703	9,380	24.98%
5220	Small Tools - T/P	2,450	4,300	4,088	2,450	-43.02%
5230	Minor Equipment - T/P	1,400	0	0	1,600	0.00%
5240	Misc. Operating Supplies - T/P	10,100	10,100	9,051	9,700	-3.96%
5250	Chemicals - T/P	32,480	30,680	14,029	32,630	6.36%
5260	Lab Materials & Supplies - T/P	13,800	13,950	11,172	37,000	165.23%
5270	Operating Permits - T/P	28,710	28,710	23,641	28,230	-1.67%
5410	Office Supplies - T/P	1,750	750	128	750	0.00%
5440	Books & Publications - T/P	590	590	45	590	0.00%
5620	Mgmt/Engrg & Tech Serv - T/P	17,700	17,700	3,528	18,300	3.39%
5660	Other Prof Services - T/P	23,200	23,200	11,372	39,000	68.10%
6035	Conference/Seminar - T/P	12,400	12,400	3,686	12,600	1.61%
6050	Education & Training Allow - T/P	6,775	4,275	286	9,400	119.88%
6080	Membership & Dues - T/P	2,965	2,965	1,598	2,970	0.17%
6090	Misc. Expense - T/P	750	750	28	750	0.00%
6100	Safety Training - T/P	5,350	3,650	1,087	3,720	1.92%
6150	Penalties	0	0	0	0	0.00%
6110	Uniforms - T/P	11,300	11,300	9,841	15,120	33.81%
	Totals	1,799,861	1,836,957	1,225,123	1,944,105	5.83%

COLLECTION SYSTEM

The collection system is operated to transport wastewater collected from residential and commercial customers to the wastewater treatment plant with no stoppages/blockages impacting our customers 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. In 2013 staff started a new 3-year line cleaning schedule in July and the goal for 2015-16 will be to complete the cleaning footage necessary to ensure the completion date of June 2016.
- ❖ In January of 2013 collection system personnel completed a second round of CCTV inspection on the entire system. The "first" round of CCTV was performed to identify problem areas as part of the 2001-03 accelerated rehabilitation program. This second round of video inspection will serve as the "base line condition assessment" for evaluation and prioritization of future maintenance efforts on the collection systems main lines and trunk lines. The condition assessment is a component of the District's efforts to maintain a proactive maintenance program and ensure on-going compliance with the State's Waste Discharge Requirements (WDR). The goal for 2015-16 will be to identify approximately 20,000 feet of mainline for CIPP lining during 2016, which will most benefit the District's I&I reduction effort.
- ❖ All nine siphons have been cleaned as part of the line cleaning schedule. Siphon cleaning frequencies to include "pigging" of siphons and force mains are on individual maintenance schedules that maintain operational efficiencies and are cost effective. The goal for 2015-16 is to evaluate the condition of the remaining original construction Creek Road siphons to determine what future maintenance efforts may be required.
- ❖ The cleaning and video inspecting the District's mainlines has been on a 3-year schedule for many years. As part of the Sanitary Sewer Management Plan (SSMP) a goal to identify and develop a cleaning schedule for trunk lines was needed. While mainlines are cleaned on a 3-year schedule, trunklines (lines 15" and larger) were placed on a 6-year schedule. Enhanced Maintenance line segments (hot spots) are cleaned on an accelerated cycle ranging from 6-months to 1-year.
- ❖ The District is in regulatory compliance with the SWRCB's WDR having completed certification of the SSMP in August 2009. The SSMP is documentation of the District's operation and maintenance activities, and requires an in-house program audit every two years (or sooner if significant changes occur) to ensure the program is up-to-date and accurate. The first audit was completed in 2011 and for the second audit staff had an outside consultant perform a 3rd party review of the District's SSMP. The FY 2015-16 goal is to perform the required in-house audit and then implement identified improvements to the program. Collection system personnel are provided training to ensure operational and regulatory awareness of the SSMP.

- ❖ 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 inspections and condition assessment review, or as the result of blockages. Our goal is to ensure we evaluate the effectiveness of root inhibitors applied, and that the cleaning frequency of Enhanced Maintenance line segments is adequate to avoid blockages, by using CCTV technology to review a minimum of five (5) percent of the applied or cleaned footage.
- ❖ The District's efforts to reduce Infiltration & Inflow (I&I) continue. Areas identified through flow studies and/or CCTV inspections continue to be evaluated, prioritized, and subsequently targeted for rehabilitation efforts. For example, the mainline CIPP lining project identified for 2015 on the east end of the City of Ojai is for I&I, and is the result of flow monitoring and CCTV that was performed. Staff continues to perform both in-house and contract grouting and repairs on manholes with identified I&I. The goal for 2015-16 is for staff to focus their rehabilitation efforts on identified areas of high I&I, while continuing to evaluate other areas within the District for additional I&I sources.
- ❖ 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, and minimize damage to structures.
- ❖ The goal for promptly correcting an identified subsidence continues. A subsidence is typically 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 may be used in 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 14-15 all restaurants were inspected by VRSD an outside contractor. We will continue to utilize VRSD during FY 2015-16 for performing FOG inspections.
- ❖ The Computerized Maintenance Management System (CMMS) is used for scheduling and tracking collection system maintenance activities. The CMMS is fully functional and being utilized by staff, but is based offsite at the vendors location. The CMMS also has a built-in GIS that allows staff to easily show scheduled and completed collection system activities. The goal for 2015-16 is to bring the CMMS into the District's location and have full access for implementing changes not currently available to staff.
- ❖ The CCTV video inspection software program replaced in early 2013 with the latest version of WinCan is now being fully implemented. In the spring of 2015 the collection system operators received training on NASSCO codes that are used within the

WinCan program and an industry standard. The goal for 2015-16 is for the operators to fully utilize the NASSCO codes when entering data into the WinCan program during CCTV inspections.

- ❖ The District has a GIS that provides collection system personnel with a visual overview of the District's boundaries, basin maps, collection system mainlines. The GIS is also linked to the District's as-built plans for easy access, and to the customer service database for use as needed. The GIS can show scheduled and completed operations and maintenance tasks, and is a great tool for tracking and showing the locations of various collection system activities. This District-wide GIS provides an integrated source for nearly all the Districts administration, collection systems, and treatment plants programs. Staff's goal is to continue the development of additional GIS layers that will provide improved effectiveness and performance of collection system 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. For example of completed projects:

- 1) Installed a roof over SALS#2 in 2015 for operator safety, that includes a motorized access hatch for maintenance access to the wet well
- 2) Completed a pilot I&I demonstration project in 2014 on Shady Lane using CIPP lining on mainlines and private laterals, lateral pipe-bursting, and manhole rehabilitation
- 3) Purchased a "Pipe Patch" liner system for in-house CIPP spot repairs during 2014 and have completed (4) mainline spot repairs to date, and used an outside contractor to install Pipe Patches at (4) locations on the main trunkline ranging in size from 21-24 inches, too large for in-house equipment.
- 4) Replaced the SALS#1 AC force main on the east side of the river with HPDE to eliminate a sewer spill liability, and replaced the fully deteriorated downstream manhole
- 5) Replaced an Oak View trunkline manhole that was severely deteriorated by hydrogen-sulfide, and realigned the trunkline at this location to eliminate the drop-manhole
- 6) Replacement and realignment of Bristol Street was completed in 2012 replacing a section of 1927 era sewer and providing improved accessibility for future users to the collection system.
- 7) Also completed during 2012 was the upgrade to the radio-based telemetry system and upgraded PLC's for the lift stations and flow metering stations
- 8) Ventura Avenue force main and lift station replacement project completed during 2011
- 9) Manhole replacements, rehabilitation, and grouting efforts for I&I and structural improvements are an annual and on-going effort

For 2015 the District is moving ahead with design on a 20,000± foot CIPP lining project to reduce I&I on the east end of Ojai. The District is upgrading SALS#1 pumps, electrical, and due to air regulations will be replacing the emergency standby generator. Also during 2015 replacement of the wet well access hatches at (3) lift stations will provide added safety protection and standardize equipment. The CIP project for Shady Lane / Ojai Avenue to eliminate a source of two sewage spills will proceed during 2015 upon receipt of a required Cal-Trans permit. The trunkline through Foster Park has cracks and

root issues and the mainline under Highway 33 on Ventura Avenue is severely cracked and will require repairs during 2015-16. The Burnham Road CIPP trunkline and manhole rehabilitation project to stop the hydrogen sulfide deterioration below the Baldwin Road siphon is scheduled for future repairs. These are all projects that improve the function and reliability of the Districts sewage system.

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 13-14	FY 14-15	YTD @ 02/15	FY 15-16	% Chg
4210	Regular Wages - C/S	415,807	424,232	249,966	483,994	14.09%
4220	Extra Help - C/S	2,880	2,880	0	2,880	0.00%
4230	Overtime - C/S	9,000	12,000	10,828	10,000	-16.67%
4240	Standby Time - C/S	9,000	9,000	5,400	9,000	0.00%
4610	FICA/Medicare Expense - C/S	6,436	6,562	3,618	9,198	40.17%
4620	Retirement Expense - C/S	92,473	104,890	61,924	113,769	8.47%
4640	Health Insurance Exp - C/S	123,679	134,786	80,467	159,372	18.24%
4660	Life Ins. Benefits - C/S	1,502	1,502	838	1,687	12.32%
4670	Vision Insurance Exp - C/S	2,547	2,547	1,751	3,339	31.10%
4680	Unemployment Ins. Exp - C/S	0	0	0	0	0.00%
4685	Disability Ins. - C/S	6,312	6,562	2,973	5,980	-8.87%
4690	Workers Comp Ins. - C/S	19,849	20,638	7,938	23,619	14.44%
5005	Utilities - C/S	30,600	29,300	14,837	32,850	12.12%
5025	Vehicle Maint/Fuel - C/S	48,060	50,327	19,683	46,750	-7.11%
5030	Line Maintenance - C/S	161,000	218,600	111,718	239,325	9.48%
5035	Meter Maintenance - C/S	7,800	11,920	10,189	11,300	-5.20%
5040	Equipment Maintenance - C/S	22,950	25,147	11,772	24,750	-1.58%
5050	Other Equip Maint - C/S	24,800	25,355	22,100	28,250	11.42%
5210	Safety Equip/Supply - C/S	4,625	6,625	5,514	5,125	-22.64%
5220	Small Tools - C/S	1,700	2,300	1,841	1,800	-21.74%
5230	Minor Equipment - C/S	0	0	0	0	0.00%
5240	Misc. Operating Supplies - C/S	7,500	7,500	7,519	7,600	1.33%
5270	Operating Permits - C/S	7,571	7,571	3,453	8,643	14.16%
5440	Books & Publications - C/S	250	250	387	250	0.00%
5450	Blueprints - C/S	500	500	0	500	0.00%
5620	Mgmt/Engrg & Tech Serv - C/S	9,000	9,000	50	9,000	0.00%
5660	Other Prof Services - C/S	10,000	10,000	2,720	14,480	44.80%
6035	Conference/Seminar - C/S	9,560	9,560	2,074	9,562	0.02%
6050	Education & Training Allow - C/S	1,150	1,150	4,530	1,150	0.00%
6080	Membership & Dues - C/S	1,685	1,685	895	1,833	8.78%
6090	Misc. Expense - C/S	500	500	0	500	0.00%
6100	Safety Training - C/S	1,490	1,490	771	1,350	-9.40%
6110	Uniforms - C/S	13,000	13,000	9,216	13,000	0.00%
	Totals	1,053,226	1,157,379	654,972	1,280,856	10.67%

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. The system's limitations also affect some of the payroll accrual tables.
- ❖ 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 is utilized to establish the total CUs and SUs in the budget preparation. This program also produces Exhibits A & B for the tax roll collection.
- ❖ Collection of direct (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. At the end of each fiscal year staff reviews the direct billed accounts to identify accounts any accounts that could appropriately be converted to tax roll billing.
- ❖ This is the first year of a 2-year budget. Staff's goal is to present a comprehensive review of the budget performance with the Board every 6 months during the 2-year period. This periodic 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 five standing committees, which meet on an as-needed basis: Ordinance/Public Relations/Newsletter/Webpage Committee; Personnel Committee; Finance Committee; and CEQA Review/Environmental 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.
- ❖ 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 continues to implement the Unpermitted Connection Program. Staff is actively working with many locations to identify and bring into compliance any unpermitted connections. Resolution of numerous suspected unpermitted connections has been accomplished since the enactment of the program. These resolutions range from internal account corrections, customer's removal of the unpermitted connection or collection of payments to add the connection to our Customer Service Database.
- ❖ It is the administrative staff's goal to continue working cooperatively and efficiently with the inspection staff to ensure timely inspections of reported unpermitted connections, and commercial & industrial accounts. Maintaining these timely inspections is a major factor in keeping the customer service database current.

Safety

- ❖ The Safety Program's Back Synergy/Team Safety continues to start the day for many staff members. The District continues to join 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-Us 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	YTD @				% Chg
		FY 13-14	FY 14-15	02/15	FY 15-16	
4210	Regular Wages	581,796	594,757	383,754	698,556	17.45%
4215	Major Projects Admin.-Wages	74,841	76,412	49,178	105,406	37.94%
4220	Extra Help - Office	0	0	0	0	0.00%
4230	Overtime - Office	1,608	1,643	267	1,763	7.30%
4610	FICA/Medicare Expense	15,658	15,869	7,952	15,383	-3.06%
4620	Retirement Expense	104,528	115,321	77,502	143,567	24.49%
4640	Health Insurance Exp	190,285	207,385	96,719	170,199	-17.93%
4645	Post-Retirement Health	35,433	37,136	0	0	-100.00%
4660	Life Ins. Benefits - Office	2,245	2,245	1,200	1,800	-19.82%
4670	Vision Insurance Exp	2,095	2,095	1,485	2,162	3.20%
4680	Unemployment Ins Exp	0	0	0	0	0.00%
4685	Disability Ins. Exp	6,673	6,813	3,295	5,780	-15.16%
4690	Workers Comp Ins.	2,785	2,952	1,059	2,312	-21.68%
5005	Utilities	21,550	22,580	13,557	22,599	0.08%
5015	Janitorial	8,500	9,100	5,213	8,700	-4.40%
5020	Building/Grounds Main	12,060	12,600	6,191	11,720	-6.98%
5025	Vehicle Maint/Fuel	5,560	5,760	1,602	5,360	-6.94%
5040	Equipment Maintenance	133,134	127,134	39,707	118,660	-6.67%
5210	Safety Equip/Supply	775	775	158	775	0.00%
5270	County Permits/Fees	650	650	0	675	3.85%
5410	Office Supplies/Equip & IT Equip.	218,008	145,540	78,779	442,033	203.72%
5420	Communications	60,405	60,465	33,935	67,358	11.40%
5430	Insurance	130,950	133,170	56,503	129,313	-2.90%
5440	Books & Publications	10,937	10,942	3,655	1,747	-84.03%
5460	Postage	14,200	14,200	6,777	13,000	-8.45%
5610	Board Member Fees	45,675	45,675	21,525	34,650	-24.14%
5620	Mgmt/Engrg & Tech Serv	107,500	131,000	84,046	96,8418	-26.4%
5630	Public & Legal Notice	5,000	5,000	967	7,000	40.00%
5640	Legal Services	185,000	190,000	72,812	150,000	-21.05%
5650	Accounting Services	38,950	40,250	25,545	40,750	1.24%
5660	Other Prof Services	13,510	58,563	8,668	18,825	-67.86%
5670	LAFCO Assessment	6,500	6,600	5,423	6,020	-8.79%
6020	Investment Mgmt/Bank Fees	72,350	73,350	32,104	62,715	-14.50%
6030	Conference/Seminar - Board	21,060	21,360	11,103	13,560	-36.52%
6035	Conference/Seminar	18,795	18,695	6,347	14,645	-21.66%
6050	Education & Training Allow	7,200	5,200	700	6,400	23.08%
6060	Election Expense	0	0	750	0	0.00%
6070	Fee Refund/Reimb	2,500	2,500	10,767	2,500	0.00%
6080	Membership & Dues	30,275	30,275	27,703	32,388	6.98%
6090	Misc Expense	0	0	0	0	0.00%
6100	Safety Training	51,896	32,964	26,922	33,850	2.69%
	Totals	2,240,887	2,266,976	1,203,870	2,488,589	9.78%

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. 6are shown in the following table:

Transfer Budget

Transfer Destination	Transfer Amt. for 2015/16
Treatment Plant Replacement	\$630,000
Collection System Replacement	\$1,037,046
Equipment Replacement	\$562,554
Vehicle Replacement	\$75,458
Building Reserve	\$20,874
2003 Revenue Bond Debt Service	\$350,000
2007 Debt Issue	\$390,572
SRF Debt Service (Internal Loan)	\$500,000

	\$3,566,504

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

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 14-15	FY 15-16
Treatment Plant	\$1,836,957	\$1,944,105
Collection System	\$1,157,379	\$1,280,856
District Management	\$2,266,976	\$2,488,589
Transfers	\$3,545,641	\$3,566,504
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Totals	\$8,806,953	\$9,280,054

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 \$53.47 per month, the County charge amounts to \$1.61 out of \$642 collected annually. The District-wide annual cost of this service from the County is approximately \$16,000. 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-one percent (21%) 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.

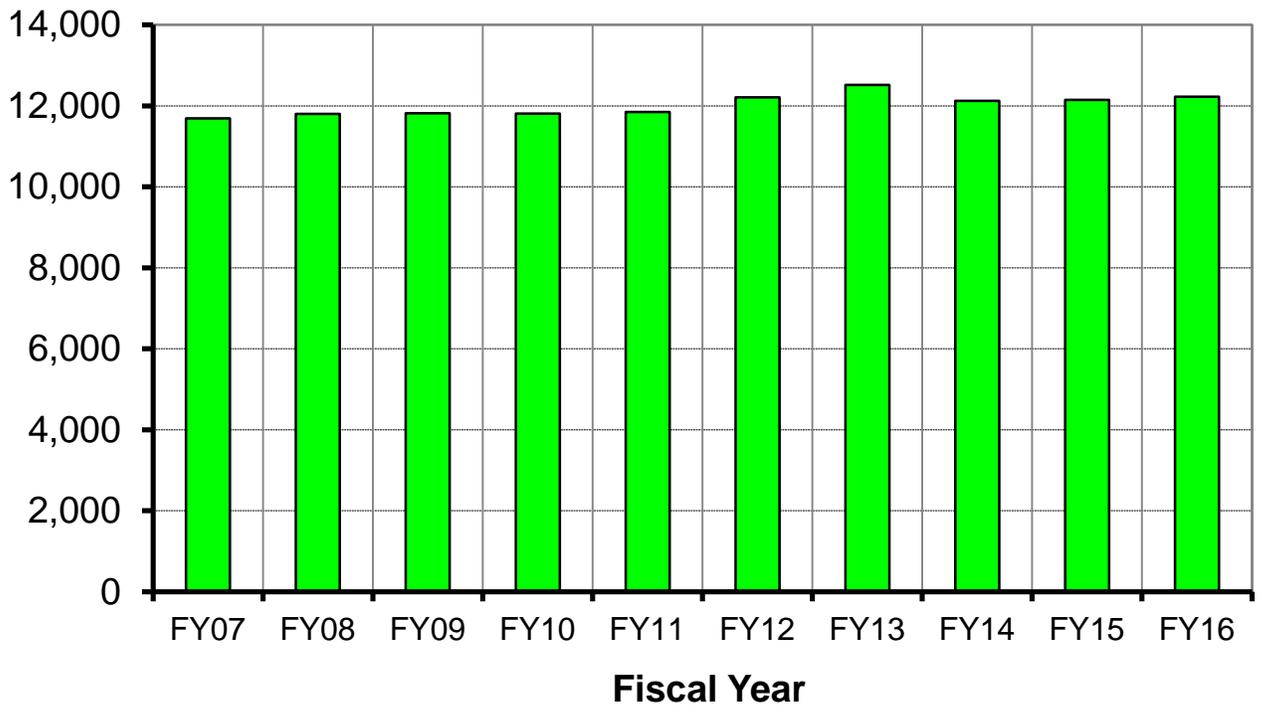
Service Unit Count

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 12,226, which is 102 SUs higher than the count used last fiscal year. A large portion of the SU increase continues to be the result of the implementation of the Unpermitted Connection enforcement program and the customer database continuing to become more accurate. This SU count calculated through the customer database 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

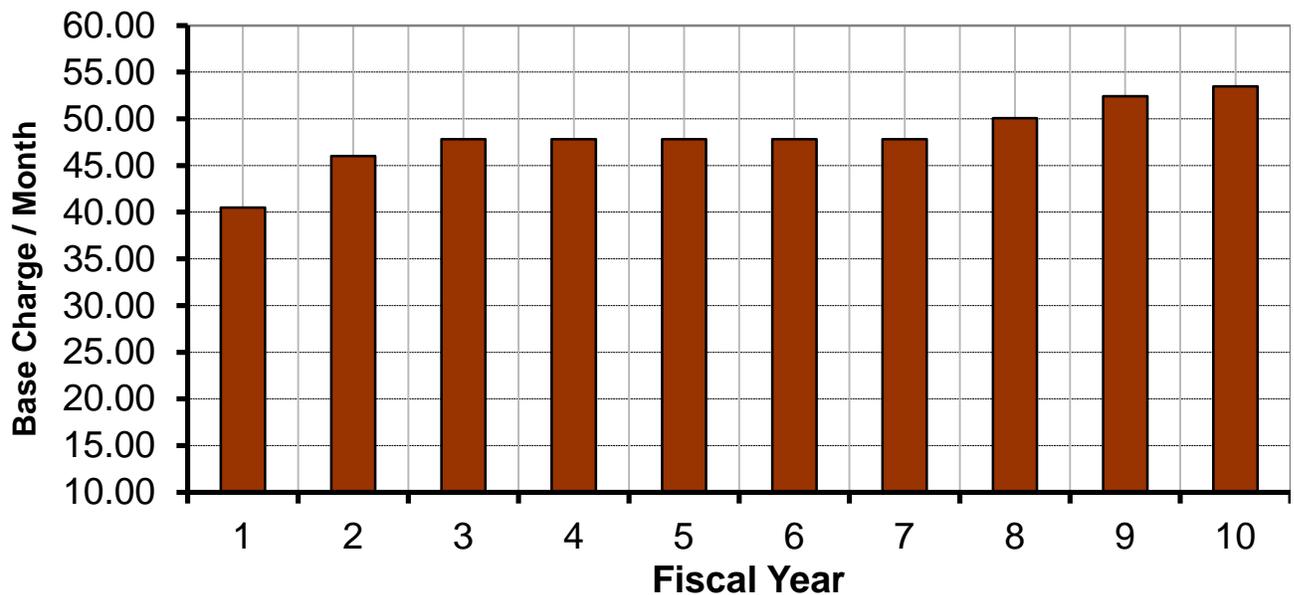


Service Charge

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 within the City of Ojai. 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 (FY16) reflects a 2 percent increase 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 13-14	FY 14-15	YTD @ 02/15	FY 15-16	% Chg
3010	Service Charge - Tax Roll	5,576,391	5,853,857	3,437,932	6,143,536	4.95%
3020	Service Charge - Direct	1,371,567	1,435,942	886,438	1,335,894	-6.97%
3040	Service Charge - Chem Toilet	36,050	37,742	33,707	38,498	2%
3050	Service Charge - MAD	270,378	283,068	181,426	288,738	2%
3085	Service Charge - COP Tax Roll	262,500	262,500	175,000	262,500	0.00%
3090	Service Charge - COP Direct	87,500	87,500	44,600	87,500	0.00%
	Totals	7,604,386	7,960,609	4,759,103	8,156,666	2.46%

Investment Income

Another income source for the District is the earnings from investment of temporarily idle cash. Economic conditions have caused the amount of this income to decline over recent years; however, fiscal year 2014-15 appears to have experienced a small increase in investment income. 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 \$40,500 of the total will be received in the General Fund.

Investment Income Budget

Acct	Description	FY 13-14	FY 14-15	YTD @ 02/15	FY 15-16	% Chg
3410	Bank Interest	400	400	70	400	0.00%
3420	County Interest	15,750	16,096	3,592	12,000	-25.45%
3430	Investment Interest	143,731	146,893	150,904	226,000	53.85%
3485	Deferred Capacity Interest	2,333	2,121	0	7,100	234.75%
3490	SDS Interest	12,786	11,086	214	10,200	-7.99%
	Totals	175,000	176,596	154,780	255,700	44.79%

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 13-14	FY 14-15	YTD @ 02/15	FY 15-16	% Chg
3110	Permits/Inspection Fees	8,000	8,000	4,368	8,000	0.00%
3130	Annexation Fees	300	300	1,200	600	100.00%
3140	Connection Fees-T/P	128,505	128,505	8,922	128,505	0.00%
3145	Connection Fees-C/S-Trunk	74,161	74,161	2,966	74,161	0.00%
3150	Connection Fees-C/S-Local	197,930	197,930	7,917	197,930	0.00%
3160	Engineering & Admin. Fees	0	0	0	0	0.00%
3510	Late Charges	25,000	25,000	29,163	25,000	0.00%
3515	Unpermitted Penalties/Interest	900	900	850	1,000	11.11%
3520	Misc. Income	900	900	1,961	1,000	11.11%
3610	Property Tax Income - 1%	540,000	550,000	367,937	620,000	12.73%
3730	Gov't Assist Revenues (FEMA)	0	0	0	0	0.00%
	Totals	975,696	985,696	433,201	1,056,196	7.15%

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 2014-15	FY 2015-16	Change	Pct
Service Charges	7,960,609	8,156,666	+196,057	+2.46%
Investment	176,596	255,700	+79,104	+44.79%
Other Income	985,696	1,056,196	+70,500	+7.15%
Transfer From Equipment Reserve	200,291	427,288	+226,997	+113.33%
Transfer From Contig & Stab. Reserve	0	0	0	0%
Totals	9,323,192	9,895,850	+572,685	+6.14%

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	FY 2015-16	Available	To Reserve Funds
Service Charges	8,156,666	8,156,666	
Investment	255,700	40,500	215,200
Other Income	1,056,196	655,600	400,596
Transfer From Equipment Reserve	427,288	427,288	
Transfer From Contig & Stab. Reserve	0	0	
Totals	9,895,850	9,280,054	615,796

Expense/Funding Balance

Proposed Expense and Transfer Total	\$9,280,054
Proposed Available Funding Total	\$9,280,054

Difference	\$-0-

SECTION 2

Reserves Budget 2015-2016

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 (1)
- ❖ Treatment Plant Replacement Reserve
- ❖ Treatment Plant Expansion Reserve
- ❖ Collection System Replacement Reserve
- ❖ Equipment Replacement
- ❖ Vehicle Replacement
- ❖ Building Reserve
- ❖ Collection System Local Capacity Reserve
- ❖ Collection System Trunk Capacity Reserve
- ❖ Contingency & Stabilization Fund
- ❖ Future Purchases Reserve (1)

****The red print identifies the reserves that are not discretionary. All of the other reserves have been established by Board action and are eligible to be modified or eliminated at the Board's discretion.**

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.

Along with the budget preparation process an evaluation of the reserve structure is conducted to determine if adjustments are needed to maintain a prudent approach to planning for the District's projects, etc. This year two reserve funds are being eliminated: Futuer Purchases & Treatment Plant Upgrade. The balance in the Future Purchases Reserve will be moved into the Collection system Replacement Reserve where it can be better utilized and the balance in the Treatment Plant Upgrade will be moved into the Treatment Plant Replacement Reserve.

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

Notes:

(1) – Proposed to be eliminated with this budget.

Summary of Reserve Balances

The following chart shows the balance in each Reserve as of a specific date and the annual contribution budgeted for this fiscal year.

The Reserves shown in Purple are increased by the annual contributions established in the budget each year and interest.

The Reserves in Red are increased by the fees collected from customers for rights to capacity in the collection & treatment facilities and interest.

The Reserve shown in Black is increased only by interest.

The Contingency & Stabilization Reserve shown in Green is increased by interest and any budget surplus identified during the budget reconciliation performed in October each year for the preceding fiscal year.

Interest received on the District's invested funds is appropriated proportionally to each of the Reserves as it is received.

<u>Reserve</u>	<u>Balance as of February 28, 2015</u>	<u>Budgeted Contribution</u>
Treatment Plant Upgrade (2)	\$ 585,243	0
Treatment Plant Replacement	\$6,837,274	\$630,000
Treatment Plant Expansion (1)	\$1,597,435	\$0
Collection System Replacement	\$ 822,509	\$1,037,046
Equipment Replacement	\$1,297,011	\$562,554
Vehicle Replacement	\$ 216,432	\$75,458
Building Replacement	\$ 70,594	\$20,874
Collection System Local Capacity (1)	\$ 914,461	0
Collection System Trunk Capacity (1)	\$ 66,915	0
Contingency & Stabilization	\$1,635,509	0
Future Purchases (2)	\$ 294,839	0
TOTAL	\$14,338,222	\$2,325,932

Notes:

(1) – Funded by new connection/capacity charges.

(2) – Proposed to be eliminated with this budget.

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 this reserve will be eliminated and the balance transferred into the Treatment Plant Replacement Reserve.

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, 2015	\$587,346
• Transfer To Treatment Plant Replacement Reserve.....	587,346

= Projected End of Year Reserve Balance.....	\$0

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.

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 fifth payment will be made this year in the amount of \$500,000.

Proposed Projects

Proposed Projects to be funded from the reserve are:

• TMDL Pilot Testing	\$100,000
• Phase 2 Drying Beds Surge Storage	<u>\$500,000</u>
Total	\$600,000

Transfer Amount

A transfer amount of \$630,000 from the General Fund is scheduled to be deposited into this reserve for this fiscal year.

Reserve Cash Flow Estimate

The projected cash flow for the reserve is as follows:

Estimated Balance on Hand @ July 1, 2015	\$7,290,176
+ Proposed Transfer Amount	+630,000
+ Fifth Pmt. On Loan to SRF Pay-Off	+500,000
+ Predicted Investment Earnings during Fiscal Year	+97,200
+ Transfer From Close-Out of T/P Upgrade Reserve	+587,346
• Proposed Expenditures	-600,000

= Projected End of Year Reserve Balance	\$8,504,722

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, 2015.....	\$1,603,160
+ Predicted Income from 25 New Connections.....	+128,505
+ Predicted Investment Earnings during Fiscal Year	+23,000

= Projected End of Year Reserve Balance.....	\$1,754,665

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.

Transfer Amount

A transfer amount of \$1,037,046 from the General Fund is scheduled to be deposited into this reserve for this fiscal year.

Proposed Projects

Proposed Projects to be funded from this reserve are:

• Santa Ana Lift Station No. 1 Rehabilitation	\$600,000
• Mainline Lining (I&I Reduction)	600,000
• Trunkline Lining (I&I Reduction)	<u>400,000</u>
Total	\$1,600,000

Reserve Cash Flow Estimate

The projected cash flow for the reserve is as follows:

Estimated Balance on Hand @ July 1, 2015.....	\$1,138,210
+ Proposed Transfer from General Fund	+1,037,046
+ Predicted Investment Earnings During Fiscal Year	+12,500
- Proposed Expenditures	-1,600,000
+ Transfer from close-out of Future Purchases Reserve.....	+295,835

= Projected End of Year Reserve Balance.....	\$883,591

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 from the General Fund is scheduled to be deposited into this reserve for this fiscal year.

Information Technology Equipment Replacements/Upgrades

Based on the Technological Equipment replacement schedule adopted by the Board, the computer equipment and software scheduled for replacement/upgrade this fiscal year is valued at \$427,288. Funds to cover the purchase of these replacements/upgrades will be transferred into the Operations Budget (account 5410.03 – Office Supplies & Equipment) along with the adoption of this budget. These replacement items will be purchased out of the Operations Budget in the normal course of business during the fiscal year. Transfer into Account 5410.03 scheduled for this year is \$427,288.

Equipment Replacements/Upgrades

There are several pieces of equipment that are scheduled to be replaced this year; the majority of these replacements are necessary in order to comply with the new diesel engine exhaust requirements. The replacements include: diesel pump, engine conversion on the Wildcat Compost Turner and multi-purpose crane. The estimated cost of these replacements/upgrades is \$140,000.

Proposed replacements/upgrades 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, 2015.....	\$1,582,038
+ Proposed Transfer from General Fund	+562,554
+ Predicted Investment Earnings during Fiscal Year+	18,400
- Scheduled IT Equipment Replaces during Fiscal Year	-427,288
- Scheduled Equipment Replace/Upgrade/New	-140,000
-	-----
= Projected End of Year Reserve Balance.....	\$1,595,704

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 Vehicle Replacement Reserve covers the replacement of the District's fleet of licensed motor vehicles. This reserve was initially established in 2002.

Our current plan for replacing vehicles is a schedule based three factors: historical mileage; use & maintenance records. All three of these factors are considered during staff's annual evaluation of the District's vehicle needs for the coming fiscal year.

Proposed Fleet Replacements

The following is a list identified for replacement this fiscal year:

<u>Vehicle to be Replaced</u>	<u>Estimated Replacement Cost</u>
• 1992 Internat'l Water Truck	\$115,000
• 1995 Internat'l Dump Truck	\$60,000
• 1996 Chevy 1 ton	\$60,000

Total proposed replacements = \$235,000

Transfer Amount

A transfer amount of \$75,458 from the General Fund is scheduled to be deposited into this reserve for this fiscal year.

Reserve Cash Flow Estimate

The projected cash flow for the reserve is as follows:

Estimated Balance on Hand @ July 1, 2015.....	\$254,852
+ Proposed Transfer From General Fund.....	+75,458
+ Predicted Investment Earnings during Fiscal Year	+3,000
- Proposed replacements.....	-235,000
-	-----
= Projected End of Year Reserve Balance.....	\$98,310

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.

Proposed Projects

There is only one project proposed to be funded from this account in fiscal year 2015-2016:

- Tico Road Site – Phase 1 Security & ADA Modifications \$100,000

Transfer Amount

A transfer amount of \$20,874 from the General Fund is scheduled to be deposited into this reserve for this year.

Reserve Cash Flow Estimate

The projected cash flow for the reserve is as follows:

Estimated Balance on Hand @ July 1, 2015.....	\$81,273
+ Proposed Transfer From General Fund.....	+20,874
+ Predicted Investment Earnings during Fiscal Year	+950
- Proposed Expenditures	-100,000
-	-----
= Projected End of Year Reserve Balance.....	\$3,097

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; in 2007 the Board redefined the designed use of this Reserve to be used for capacity issues in the Collection System. On July 1, 2010 this Reserve was officially named the Collection System Local Capacity Reserve.

This Reserve receives all Collection System Local Capacity charges when a property owner connects to the sewer. The designated use of this Reserve is for capacity issues in the Local 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, 2015.....	\$917,830
+ Predicted Transfer of Charges From New Customers	+197,930
+ Predicted Investment Earnings during Fiscal Year	+ 12,454

= Projected End of Year Reserve Balance.....	\$1,128,214

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, 2015.....	\$67,149
+ Predicted Charges From New Customers	+74,161
+ Predicted Investment Earnings during Fiscal Year	+ 950

= Projected End of Year Reserve Balance.....	\$142,260

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

The reserve is 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. Some years this fund has also provided a contribution to offset rate increases during the budgeting cycle.

Reserve Cash Flow Estimate

The projected cash flow for the reserve is as follows:

Estimated Balance on Hand @ July 1, 2015.....	\$1,640,988
+ Predicted Investment Earnings during Fiscal Year	+26,246
- Transfer to General Fund for Operations Budget.....	-0

= Projected End of Year Reserve Balance.....	\$1,667,234

Future Purchases Reserve

This reserve is being eliminated and the balance will be moved into the Collection System Replacement Reserve where it can be better utilized.

Reserve Cash Flow Estimate

The projected cash flow for the reserve is as follows:

Estimated Balance on Hand @ July 1, 2015.....	\$295,835
- Transfer to Collection System Replacement Reserve.....	-295,835

= Projected End of Year Reserve Balance.....	\$0

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>
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	\$3,210,000.00	\$452,693.78	\$3,962693.78

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.

Staff conducted an evaluation of the balance in the 2003 Debt Issue Payment Reserve and established a schedule to utilize the funds in this account to lower the amount required to be collected through the service charge increment over the remaining nine years of this debt issue.

The amount to be collected through the service charge increment for fiscal year 2015-2016 is \$350,000. The service charge increment is charged for each Capacity Unit allocated to a parcel.

One-half or \$175,000 is to be raised each from inside and outside the Ojai City limits.

The annual increments for FY 2015-16 are calculated as follows:

Inside Ojai City Limits:

$$\frac{\$175,000/\text{year}}{4,323 \text{ ERUs times } 12 \text{ months / year}} = \$3.37/\text{month / CU}$$

The debt service charge per CU inside the Ojai City Limits was reduced by 19.5 percent.

Outside Ojai City Limits:

$$\frac{\$175,000 / \text{year}}{7,696 \text{ ERUs times } 12 \text{ months / year}} = \$1.89/\text{month / CU}$$

The debt service charge per CU outside the Ojai City Limits was reduced by 20.5 percent.

Cash Flow Estimate

The projected cash flow for the reserve is as follows:

Estimated Balance on Hand @ July 1, 2015.....	\$846,928
- Scheduled Debt Service Payment FY 2015/16	-434,344
+ Proposed Transfer from General Fund	+350,000
+ Predicted Investment Earnings during Fiscal Year	8,500

= Projected End of Year Reserve Balance.....	\$771,084

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, 2015 will be made from funds collected during Fiscal Year 2014-2015. The funds collected during Fiscal Year 2015-2016 will actually be used to make the payment in Fiscal Year 2016-2017. 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>
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	\$6,295,000.00	\$3,796,801.38	\$10,091,801.38

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, 2015.....	\$1,162,987
- Scheduled Debt Service Payment FY 2015/16	-433,969
+ Proposed Transfer from General Fund	+390,572
+ Predicted Investment Earnings during Fiscal Year	12,000

Projected End of Year Reserve Balance	\$1,131,590

OJAI VALLEY SANITARY DISTRICT



**Preliminary Budget
Fiscal Year
2016-2017**

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 using a GapVac combination sewer cleaning machine and a van equipped with CCTV video inspection equipment
- ❖ 9 sewage siphons with pipe sizes ranging from 4" to 16" and lengths of 82' to 3,300'
- ❖ 5 sewage lift stations (Orchard Rd. LS, Santa Ana #1, Santa Ana #2, Rancho Matilija, Ojai Y-Lift Station); 10 pumps operate at these five lift stations, with 4 standby generators
- ❖ 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 2014 the treatment plant processed 574.6 million gallons of wastewater – That is an average daily flow of 1.57 million gallons, or 1,763 acre feet of tertiary treated water discharged to the Ventura River – Rainfall recorded during CY-2014 at the treatment plant was 11.2 inches
- ❖ District Office housing the Board and a public meeting room, District Management personnel and Collection System personnel.

STAFFING

The District staff consists of 21 full time positions.

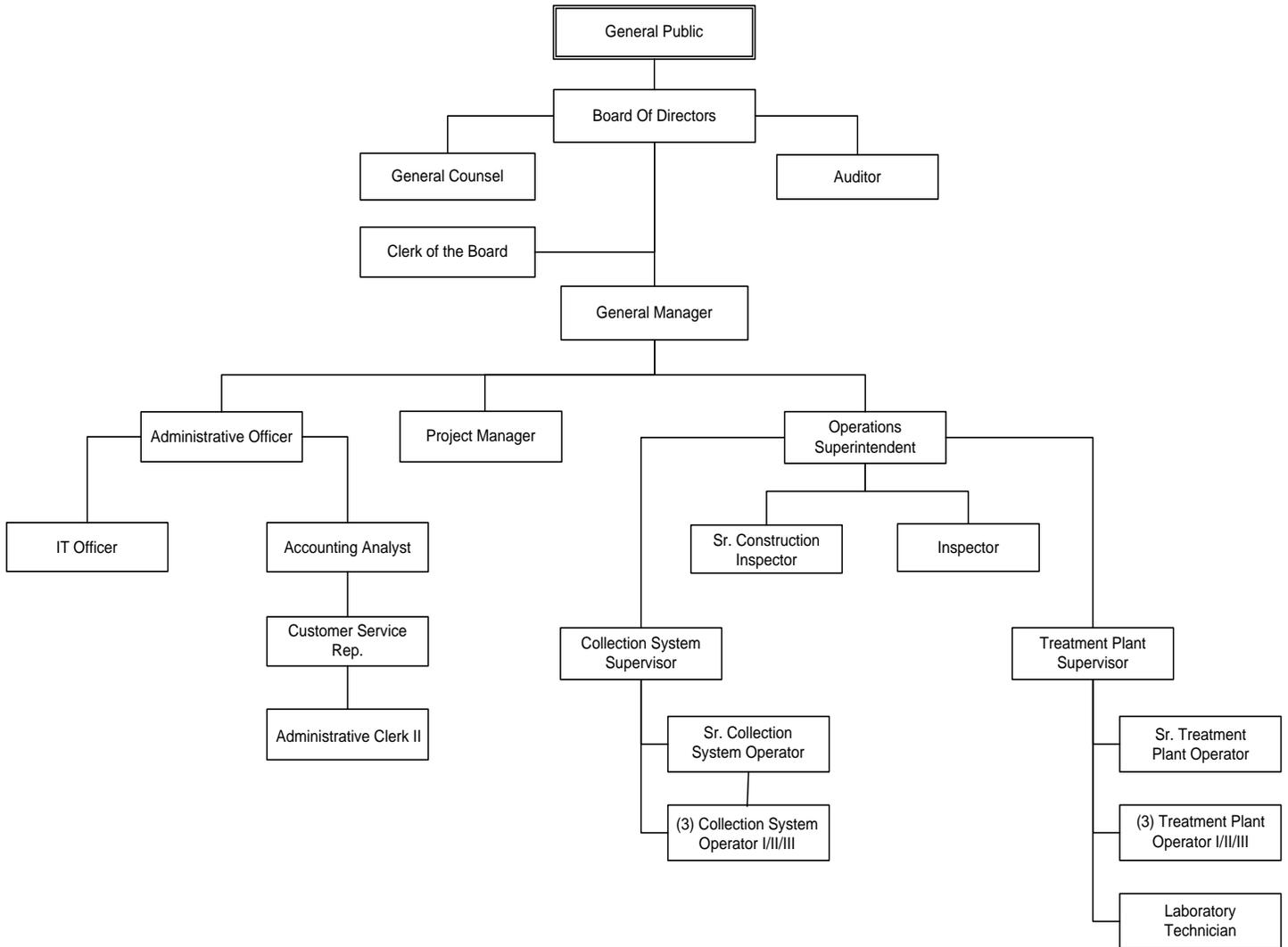
The staffing complement of authorized positions next fiscal year would be as follows:

Position Description	Pay Range	Authorized FY 2015-16	Proposed FY 2016-17	Change
General Manager	FR	1	1	0
Administrative Officer	33	1	1	0
Information Tech. Officer	31	1	1	0
Project Manager	26	1	1	0
Accounting Analyst	23	1	1	0
Customer Srvc Representative	20	1	1	0
Administrative Clerk I/II	15/17	1	1	0
Operations Superintendent	33	1	1	0
TP Supervising Operator	28	1	1	0
Laboratory Technician II	24	1	1	0
TP Senior Operator	25	1	1	0
TP Operator I/II/III	20/22/23	3	3	0
CS Supervising Operator	28	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
Inspector	23	1	1	0
Totals	--	21	21	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 requirements of the District's National Pollution Discharge Elimination System (NPDES) Permit No. CA-0053961. The goal of treatment plant staff is 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 2016-17.

Operations:

- ❖ It is 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; maintaining the UV system and plant processes' electrical components in optimal condition to include operational and maintenance condition; operating the belt press during off-peak hours; and installation of efficient light fixtures. To reduce electrical cost the treatment plant participates in SCE's Demand Bidding Program and EnerNOC Demand SMART Program, both which are SCE financial incentive programs that pay a premium price for power (Kwh) reduced during extreme heat periods.
- ❖ The treatment plant's 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 utilized for recording and scheduling plant maintenance activities. Staff's goal is to ensure the CMMS program not only stores the equipment information and history but can also be used as a basis for budgetary projections.
- ❖ 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 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 2013 NPDES Permit provides an interim wet weather effluent phosphorus discharge of 2.6 mg/L, and then the seasonal pound limit essentially requires <1 mg/L at 2.1 mgd. Staff will continue to optimize the biological phosphorus removal process during the interim period, and perform pilot testing to identify how to meet and comply with the lower effluent requirement. For Calendar Year – 2014 the effluent average was 0.8 mg/L with a high of 1.4 mg/L. The goal for FY 2016-17 is continued optimization to help identify cost effective alternatives to meet the lower effluent requirement.

- ❖ Plant staff continues to actively pursue optimization of the biological nutrient removal processes to assist in identifying future improvements to meet TMDL requirements. Nitrate and ORP meters and controls were installed on oxidation ditches #1 and #2 during 2012-13, and with the real time data have been very beneficial to improving process understanding. The same nitrate and ammonia meters installed at the plant influent, anaerobic zone, and effluent now allow for calculation of process removal efficiencies. During 2016-17 staff will continue to perform process testing and evaluation that will benefit future design efforts to achieve the additional (lower) denitrification rates.

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 in accordance with regulatory guidelines, accurately, and submitted on-time. All correspondence and reporting to the Los Angeles RWQCB is now performed electronically.
- ❖ The SWRCB's CIWQS electronic reporting system for NPDES data was implemented in 2010. During 2014 the EPA's Discharge Monitoring Report was added to the CIWQS electronic reporting. Staff's goal for 2016-17 will be continued compliance with the SWRCB's 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. This means the UV system channel and lamps are operationally kept clean for maximum UV transmittance, which allows staff to operate with the minimum number of UV banks on-line at any given time.
- ❖ The backup chemical disinfection system utilizes liquid 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. To do so the use of filter aids is kept to a minimum required for regulatory compliance thereby reducing chemical costs.

Laboratory:

- ❖ The plant's 2013 NPDES Permit required monitoring for CEC's (Chemical of Emerging Concern) for at least two years. Staff will work with the RWQCB to minimize the CEC monitoring that is required following this two year period. The 2013 NPDES permit maintained river station monitoring similar to previous permits, but increased treatment plant reporting requirements. Staff during the previous permit cycle had performed increased monitoring for the Ventura River Watershed Monitoring efforts, and still maintained a high quality of laboratory operations. The goal for 2016-17 will be to implement the 2013 NPDES monitoring requirements to include the additional TMDL monitoring plant and maintain the same high level of laboratory operations.
- ❖ The Ventura River Algae TMDL effluent requirements were included in the 2013 NPDES Permit. Pilot testing has been in-progress and process operating adjustments continue to be implemented. The new monitoring equipment that was installed has allowed staff to observe the results of these process adjustments in real time. There are pending oxidation ditch improvements that include adding VFD's and a new style of submerged aerators for improved electrical and process efficiency. In addition associated new mechanical equipment will allow for automated process adjustments using the new nitrate monitoring equipment. The data currently being collected by the new monitoring equipment will be the basis for future design improvements to meet the TMDL requirements. The laboratory has experienced a significant increase in process monitoring to support the process adjustments, and the on-going calibration of the new monitoring equipment. The goal and challenge here is for the laboratory and plant staff is to have a comprehensive testing program that gathers the necessary process data to design future plant improvements to meet the TMDL in an efficient and cost-effective manner.
- ❖ The pretreatment program is fully implemented. Outside assistance has successfully been utilized to assist with industrial discharger (FOG) 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. This effort is complimented through the use of the SDB's (Sludge Drying Beds) weather permitting to further dewater the biosolids, and for composting during the summer months.
- ❖ During calendar year 2014, approximately 72 % of the plant's biosolids were composted yielding roughly 1,130 cubic yards of compost produced 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.

Projects – Upgrades

- ❖ Upgrading the oxidation ditch aerators to provide variable frequency drives (VFD's) will require upgrading the electrical switchgear and include replacement of the gear boxes and impellers to allow for the lower speeds the VFD's can achieve.
- ❖ With the information and data now available from the nitrate reduction pilot testing completed during 2015 a TMDL Design and Alternative Analysis will be performed.

The Treatment Plant staff will continue their efforts to operate and maintain the plant in a manner that all 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 14-15	FY 15-16	FY 16-17	% Chg
4210	Regular Wages - T/P	535,784	547,205	549,251	0.4%
4220	Extra Help - T/P	34,270	34,360	34,360	0.0%
4230	Overtime - T/P	40,006	41,050	42,220	2.9%
4240	Standby Time - T/P	11,860	12,200	12,200	0.0%
4610	FICA/Medicare Expense - T/P	8,757	8,351	8,378	0.3%
4620	Retirement Expense - T/P	108,455	118,823	126,057	6.1%
4640	Health Insurance Exp - T/P	107,962	113,230	113,230	0.0%
4660	Life Ins. Benefits - T/P	1,582	1,403	1,403	0.0%
4670	Vision Insurance Exp - T/P	1,880	2,033	2,033	0.0%
4680	Unemployment Ins. Exp - T/P	0	0	0	0.0%
4685	Disability Ins. Exp -T/P	6,546	5,059	5,076	0.3%
4690	Workers Comp Ins. - T/P	22,740	19,641	19,714	0.4%
5005	Utilities - T/P	331,050	358,190	358,190	0.0%
5020	Building/Grounds Main - T/P	49,905	54,020	54,020	0.0%
5025	Vehicle Maint/Fuel - T/P	38,460	44,400	46,500	4.7%
5035	Meter Maintenance - T/P	9,230	6,350	6,350	0.0%
5040	Equipment Maintenance - T/P	120,750	124,000	124,000	0.0%
5045	Electrical Maintenance - T/P	42,600	32,200	32,200	0.0%
5050	Other Equip Maint - T/P	13,350	21,350	18,150	-15.0%
5060	Biosolid Handling	82,700	79,800	80,200	0.5%
5065	Hazardous Material Disposal	330	1,250	1,250	0.0%
5080	Outside Laboratory Analysis	95,915	95,000	100,000	5.3%
5210	Safety Equip/Supply - T/P	7,505	9,380	8,490	-9.5%
5220	Small Tools - T/P	4,300	2,450	2,450	0.0%
5230	Minor Equipment - T/P	0	1,600	490	-69.4%
5240	Misc. Operating Supplies - T/P	10,100	9,700	9,700	0.0%
5250	Chemicals - T/P	30,680	32,630	32,630	0.0%
5260	Lab Materials & Supplies - T/P	13,950	37,000	37,000	0.0%
5270	Operating Permits - T/P	28,710	28,230	28,230	0.0%
5410	Office Supplies - T/P	750	750	750	0.0%
5440	Books & Publications - T/P	590	590	590	0.0%
5620	Mgmt/Engrg & Tech Serv - T/P	17,700	18,300	16,626	-9.1%
5660	Other Prof Services - T/P	23,200	39,000	39,000	0.0%
6035	Conference/Seminar - T/P	12,400	12,600	12,100	-4.0%
6050	Education & Training Allow - T/P	4,275	9,400	7,800	-17.0%
6080	Membership & Dues - T/P	2,965	2,970	3,130	5.4%
6090	Misc. Expense - T/P	750	750	750	0.0%
6100	Safety Training - T/P	3,650	3,720	3,720	0.0%
6150	Penalties	0	0	0	0.0%
6110	Uniforms - T/P	11,300	15,120	15,120	0.0%
	Totals	1,836,957	1,944,105	1,953,358	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/blockages impacting our customers 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 that will be performed during FY 2016-17 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. During 2016 staff will have completed one round of line cleaning and started a new 3-year line cleaning cycle. The goal for 2016-17 will be to schedule and complete cleaning of the necessary footage to ensure the completion date of June 2019.
- ❖ In January of 2013 collection system personnel completed a second round of CCTV inspection on the entire system. The "first" round of CCTV was performed to identify problem areas as part of the 2001-03 accelerated rehabilitation program. This second round of video inspection serves as the "base line condition assessment" for evaluation and prioritization of future maintenance efforts on the collection systems main lines and trunk lines. The condition assessment is a component of the District's efforts to maintain a proactive maintenance program and ensure on-going compliance with the State's Waste Discharge Requirements (WDR). The goal for 2016-17 will be to identify another 20,000± feet of mainline for CIPP lining during 2017 that will benefit the District's maintenance and I&I reduction efforts.
- ❖ The District has nine siphons that are cleaned as part of every 3-year cleaning cycle. Siphon cleaning frequencies to include "pigging" of siphons and force mains are on individual maintenance schedules that maintain operational efficiencies and are cost effective.
- ❖ The cleaning and video inspecting the District's mainlines has been on a 3-year schedule for many years. As part of the Sanitary Sewer Management Plan (SSMP) a goal to identify and develop a cleaning schedule for trunk lines was needed. While mainlines are cleaned on a 3-year schedule, trunklines (lines 15" and larger) were placed on a 6-year schedule. Enhanced Maintenance line segments (hot spots) are cleaned on an accelerated cycle ranging from 6-months to 1-year.
- ❖ The District is in regulatory compliance with the SWRCB's WDR having completed certification of the SSMP in August 2009. The SSMP is documentation of the District's operation and maintenance activities, and requires an in-house program audit every two years (or sooner if significant changes occur) to ensure the program is up-to-date and accurate. The first audit was completed in 2011 and for the second audit staff had an outside consultant perform a 3rd party review of the District's SSMP. The goal for FY 2016-17 is to implement identified improvements and maintain the program per regulatory requirements. Collection system personnel are provided training to ensure operational and regulatory awareness of the SSMP.

- ❖ 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 inspections and condition assessment review, or as the result of blockages. Our goal is to ensure we evaluate the effectiveness of root inhibitors applied, and that the cleaning frequency of Enhanced Maintenance line segments is adequate to avoid blockages, by using CCTV technology to review a minimum of five (5) percent of the applied or cleaned footage.
- ❖ The District's efforts to reduce Infiltration & Inflow (I&I) continue. Areas identified through flow studies and/or CCTV inspections continue to be evaluated, prioritized, and subsequently targeted for rehabilitation efforts. For example, the mainline CIPP lining project completed in 2015 on the east end of the City of Ojai for I&I was the result of flow monitoring and CCTV that was performed. Staff continues to perform both in-house and contract grouting and repairs on manholes with identified I&I. The goal for 2016-17 is for staff to focus their rehabilitation efforts on identified areas of high I&I, while continuing to evaluate other areas within the District for additional I&I sources.
- ❖ 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, and minimize damage to structures.
- ❖ The goal for promptly correcting an identified subsidence continues. A subsidence is typically 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 may be used in 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 15-16 all restaurants were inspected by VRSD an outside contractor. We will continue to utilize VRSD during FY 2016-17 for performing FOG inspections.
- ❖ The Computerized Maintenance Management System (CMMS) is used for scheduling and tracking collection system maintenance activities. The CMMS is fully functional and being utilized by staff, but is based (hosted) offsite at the vendors location. The CMMS also has a built-in GIS that allows staff to easily show scheduled and completed collection system activities. During FY 2015-16 the CMMS host location was transferred to the District's location. The FY 2016-17 goal is to have full access to the host system that will allow staff to implement changes not currently available.

- ❖ The CCTV video inspection software program replaced in early 2013 with the latest version of WinCan is now being fully implemented. In the spring of 2015 the collection system operators received training on NASSCO codes that are used within the WinCan program. The goal for 2016-17 is for the operators to be fully utilizing the NASSCO codes when entering data into the WinCan program during CCTV inspections.
- ❖ The District has a GIS that provides collection system personnel with a visual overview of the District's boundaries, basin maps, collection system mainlines. The GIS is also linked to the District's as-built plans for easy access, and to the customer service database for use as needed. The GIS can show scheduled and completed operations and maintenance tasks, and is a great tool for tracking and showing the locations of various collection system activities. This District-wide GIS provides an integrated source for nearly all the Districts administration, collection systems, and treatment plants programs. Staff's goal is to continue the development of additional GIS layers that will provide improved effectiveness and performance of collection system 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. For example of completed projects:

- (1) During 2015 the District performed a CIPP lining project on 20,000± feet of mainline on the east end of Ojai to reduce I&I.
- (2) Upgraded SALS#1 lift station facilities with new pumps, electrical, and standby generator, and replaced wet well access hatches on (3) other lift stations.
- (3) Completed the CIP project to realign the mainline and trunkline at Shady Lane and Ojai Avenue to correct a chronic SSO location.
- (4) Installed a roof over SALS#2 in 2015 for operator safety, that includes a motorized access hatch for maintenance access to the wet well
- (5) Completed a pilot I&I demonstration project in 2014 on Shady Lane using CIPP lining on mainlines and private laterals, lateral pipe-bursting, and manhole rehabilitation
- (6) Purchased a "Pipe Patch" liner system for in-house CIPP spot repairs during 2014 and have completed (4) mainline spot repairs to date, and used an outside contractor to install Pipe Patches at (4) locations on the main trunkline ranging in size from 21-24 inches, too large for in-house equipment.
- (7) Replaced the SALS#1 AC force main on the east side of the river with HPDE to eliminate a sewer spill liability, and replaced the fully deteriorated downstream manhole
- (8) Manhole replacements, rehabilitation, and grouting efforts for I&I and structural improvements are an annual and on-going effort

For 2016 the District is moving ahead with identification of and design on an additional 20,000+ feet of mainlines for a second CIPP lining project to reduce I&I. Develop a mainline to lateral tap repair project using a CIPP liner such as Top-Hat or equal. The trunkline through Foster Park has cracks and root issues and the mainline under Highway 33 on Ventura Avenue is severely cracked and will require repairs. The Burnham Road CIPP trunkline and manhole rehabilitation project to stop the hydrogen sulfide deterioration below the Baldwin Road siphon is scheduled for future repairs. These are all projects that improve the function and reliability of the Districts sewage system.

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 14-15	FY 15-16	FY 16-17	% Chg
4210	Regular Wages - C/S	424,232	483,994	491,780	1.61%
4220	Extra Help - C/S	2,880	2,880	2,880	0.00%
4230	Overtime - C/S	12,000	10,000	10,000	0.00%
4240	Standby Time - C/S	9,000	9,000	9,000	0.00%
4610	FICA/Medicare Expense - C/S	6,562	9,198	9,294	1.04%
4620	Retirement Expense - C/S	104,890	113,769	121,773	7.04%
4640	Health Insurance Exp - C/S	134,786	159,372	162,550	1.99%
4660	Life Ins. Benefits - C/S	1,502	1,687	1,687	0.00%
4670	Vision Insurance Exp - C/S	2,547	3,339	3,339	0.00%
4680	Unemployment Ins. Exp - C/S	0	0	0	
4685	Disability Ins. - C/S	6,562	5,980	6,013	0.55%
4690	Workers Comp Ins. - C/S	20,638	23,619	23,751	0.56%
5005	Utilities - C/S	29,300	32,850	32,850	0.00%
5025	Vehicle Maint/Fuel - C/S	50,327	46,750	46,680	-0.15%
5030	Line Maintenance - C/S	218,600	239,325	198,750	-16.95%
5035	Meter Maintenance - C/S	11,920	11,300	11,300	0.00%
5040	Equipment Maintenance - C/S	25,147	24,750	24,750	0.00%
5050	Other Equip Maint - C/S	25,355	28,250	28,250	0.00%
5210	Safety Equip/Supply - C/S	6,625	5,125	5,125	0.00%
5220	Small Tools - C/S	2,300	1,800	1,800	0.00%
5230	Minor Equipment - C/S	0	0	0	
5240	Misc. Operating Supplies - C/S	7,500	7,600	7,600	0.00%
5270	Operating Permits - C/S	7,571	8,643	8,643	0.00%
5440	Books & Publications - C/S	250	250	250	0.00%
5450	Blueprints - C/S	500	500	500	0.00%
5620	Mgmt/Engrg & Tech Serv - C/S	9,000	9,000	7,000	-22.22%
5660	Other Prof Services - C/S	10,000	14,480	14,480	0.00%
6035	Conference/Seminar - C/S	9,560	9,562	9,562	0.00%
6050	Education & Training Allow - C/S	1,150	1,150	1,150	0.00%
6080	Membership & Dues - C/S	1,685	1,833	1,833	0.00%
6090	Misc. Expense - C/S	500	500	500	0.00%
6100	Safety Training - C/S	1,490	1,350	1,350	0.00%
6110	Uniforms - C/S	13,000	13,000	13,000	0.00%
	Totals	1,157,379	1,280,856	1,257,440	-1.8%

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. The system's limitations also affect some of the payroll accrual tables.
- ❖ 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 is utilized to establish the total CUs and SUs in the budget preparation. This program also produces Exhibits A & B for the tax roll collection.
- ❖ Collection of direct (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. At the end of each fiscal year staff reviews the direct billed accounts to identify accounts any accounts that could appropriately be converted to tax roll billing.
- ❖ This is the first year of a 2-year budget. Staff's goal is to present a comprehensive review of the budget performance with the Board every 6 months during the 2-year period. This periodic 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 five standing committees, which meet on an as-needed basis: Ordinance/Public Relations/Newsletter/Webpage Committee; Personnel Committee; Finance Committee; and CEQA Review/Environmental 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.
- ❖ 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 continues to implement the Unpermitted Connection Program. Staff is actively working with many locations to identify and bring into compliance any unpermitted connections. Resolution of numerous suspected unpermitted connections has been accomplished since the enactment of the program. These resolutions range from internal account corrections, customer's removal of the unpermitted connection or collection of payments to add the connection to our Customer Service Database.
- ❖ It is the administrative staff's goal to continue working cooperatively and efficiently with the inspection staff to ensure timely inspections of reported unpermitted connections, and commercial & industrial accounts. Maintaining these timely inspections is a major factor in keeping the customer service database current.

Safety

- ❖ The Safety Program's Back Synergy/Team Safety continues to start the day for many staff members. The District continues to join 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-Us 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 14-15	FY 15-16	FY 16-17	% Chg
4210	Regular Wages	594,757	698,556	699,632	0.2%
4215	Major Projects Admin.-Wages	76,412	105,406	106,150	0.7%
4220	Extra Help	0	0	0	
4230	Overtime	1,643	1,763	1,763	0.0%
4610	FICA/Medicare Expense	15,869	15,383	15,383	0.0%
4620	Retirement Expense	115,321	143,567	144,079	0.4%
4640	Health Insurance Exp	207,385	170,199	170,199	0.0%
4645	Post-Retirement Health	37,136	0	0	0.0%
4660	Life Ins. Benefits	2,245	1,800	1,880	4.4%
4670	Vision Insurance Exp	2,095	2,162	2,162	0.0%
4680	Unemployment Ins Exp	0	0	0	0.0%
4685	Disability Ins. Exp	6,813	5,780	5,780	0.0%
4690	Workers Comp Ins.	2,952	2,312	2,312	0.0%
5005	Utilities	22,580	22,599	23,190	2.6%
5015	Janitorial	9,100	8,700	8,745	0.5%
5020	Building/Grounds Main	12,600	11,720	11,450	-2.3%
5025	Vehicle Maint/Fuel	5,760	5,360	5,360	0.0%
5040	Equipment Maintenance	127,134	118,660	125,910	6.1%
5210	Safety Equip/Supply	775	775	775	0.0%
5270	County Permits/Fees	650	675	675	0.0%
5410	Office Supplies/Equip & IT Equip.	145,540	442,033	290,847	-34.2%
5420	Communications	60,465	67,358	67,968	0.1%
5430	Insurance	133,170	129,313	129,313	0.0%
5440	Books & Publications	10,942	1,747	1,747	0.0%
5460	Postage	14,200	13,000	8,700	-33.1%
5610	Board Member Fees	45,675	34,650	37,275	7.6%
5620	Mgmt/Engrg & Tech Serv	131,000	96,418	56,418	-41.5%
5630	Public & Legal Notice	5,000	7,000	3,000	-57.1%
5640	Legal Services	190,000	150,000	160,000	6.7%
5650	Accounting Services	40,250	40,750	41,050	0.7%
5660	Other Prof Services	58,563	18,825	13,175	-30.0%
5670	LAFCO Assessment	6,600	6,020	6,020	0.0%
6020	Investment Mgmt/Bank Fees	73,350	62,715	62,715	0.0%
6030	Conference/Seminar - Board	21,360	13,560	13,560	0.0%
6035	Conference/Seminar	18,695	14,645	14,645	0.0%
6050	Education & Training Allow	5,200	6,400	6,400	0.0%
6060	Election Expense	0	0	2,500	100.0%
6070	Fee Refund/Reimb	2,500	2,500	2,500	0.0%
6080	Membership & Dues	30,275	32,388	32,388	0.0%
6090	Misc Expense	0	0	0	0.0%
6100	Safety Training	32,964	33,850	34,350	1.5%
	Totals	2,266,976	2,488,589	2,309,446	-7.20%

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 2016-17 are shown in the following table:

Transfer Budget

Transfer Destination	Transfer Amt. for 2016/17
Treatment Plant Replacement	\$630,000
Collection System Replacement	\$1,270,526
Equipment Replacement	\$562,554
Vehicle Replacement	\$75,458
Building Reserve	\$20,874
2003 Revenue Bond Debt Service	\$350,000
2007 Debt Issue	\$394,189
SRF Debt Service (Internal Loan)	\$500,000

	\$3,803,601

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

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 15-16	FY 16-17
Treatment Plant	\$1,944,105	\$1,953,358
Collection System	\$1,280,856	\$1,257,440
District Management	\$2,488,589	\$2,309,446
Transfers	\$3,566,504	\$3,803,601
	-----	-----
Totals	\$9,280,054	\$9,323,845

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 \$54.54 per month, the County charge amounts to \$1.63 out of \$654 collected annually. The District-wide annual cost of this service from the County is approximately \$16,000. 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.

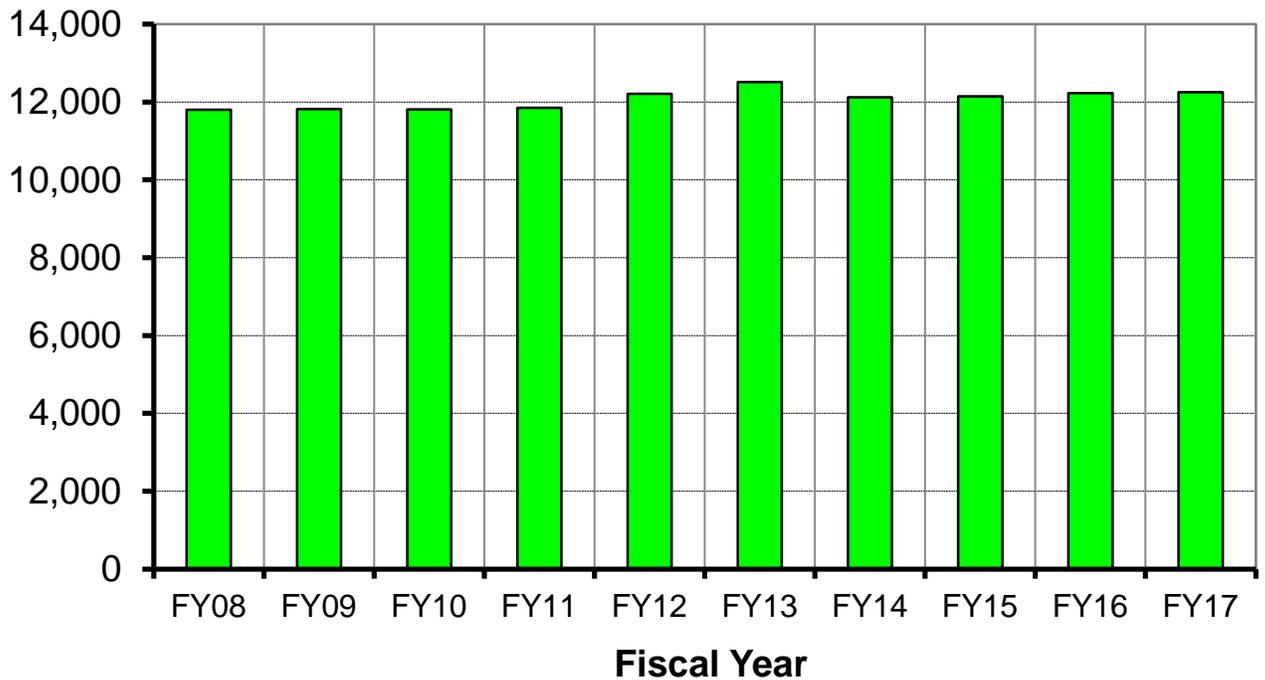
Service Unit Count

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.

The SU count used to estimate the service charge income for fiscal year 2016-17 is 12,251; this is 25 SUs higher than the 2015-16 count. This is a conservative estimate.

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

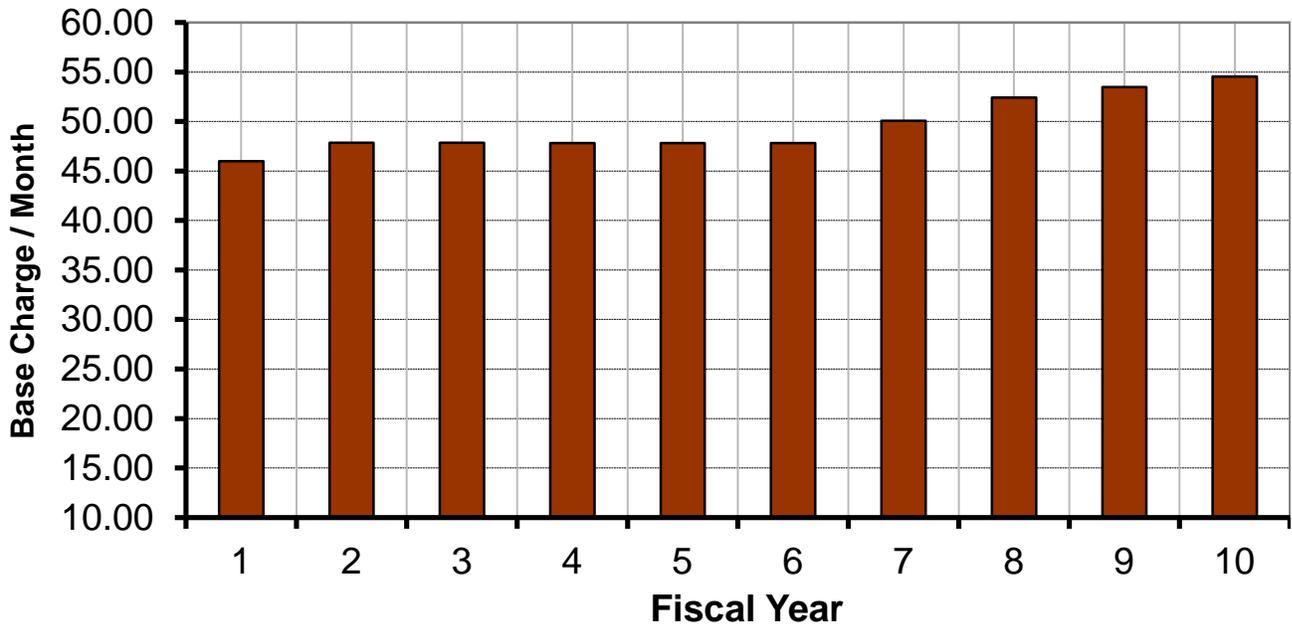


Service Charge

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 within the City of Ojai. 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 (FY17) reflects a 2 percent increase 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 14-15	FY 15-16	FY 16-17	% Chg
3010	Service Charge - Tax Roll	5,853,857	6,143,536	6,282,858	2.27%
3020	Service Charge - Direct	1,435,942	1,335,894	1,362,628	2.00%
3040	Service Charge - Chem Toilet	37,742	38,498	39,269	2.00%
3050	Service Charge - MAD	283,068	288,738	294,516	2.00%
3085	Service Charge - COP Tax Roll	262,500	262,500	262,500	0.00%
3090	Service Charge - COP Direct	87,500	87,500	87,500	0.00%
	Totals	7,960,609	8,156,666	8,329,271	2.12%

Investment Income

Another 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 \$42,872 of the total will be received in the General Fund.

Investment Income Budget

Acct	Description	FY 14-15	FY 15-16	FY 16-17	% Chg
3410	Bank Interest	400	400	400	0.0%
3420	County Interest	16,096	12,000	13,500	12.5%
3430	Investment Interest	146,893	226,000	237,000	4.9%
3485	Deferred Capacity Interest	2,121	7,100	7,100	0.0%
3490	SDS Interest	11,086	10,200	10,000	-2.0%
	Totals	176,596	255,700	268,000	4.8%

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 14-15	FY 15-16	FY 16-17	% Chg
3110	Permits/Inspection Fees	8,000	8,000	8,000	0.0%
3130	Annexation Fees	300	600	600	0.0%
3140	Connection Fees-T/P	128,505	128,505	128,505	0.0%
3145	Connection Fees-C/S-Trunk	74,161	74,161	74,161	0.0%
3150	Connection Fees-C/S-Local	197,930	197,930	197,930	0.0%
3160	Engineering & Admin. Fees	0	0	0	0.0%
3510	Late Charges	25,000	25,000	25,000	0.0%
3515	Unpermitted Penalties/Interest	900	1,000	1,000	0.0%
3520	Misc. Income	900	1,000	1,000	0.0%
3610	Property Tax Income - 1%	550,000	620,000	640,000	3.2%
3730	Gov't Assist Revenues (FEMA)	0	0	0	
	Totals	985,696	1,056,196	1,076,196	1.9%

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 2015-16	FY 2016-17	Change	Pct
Service Charges	8,156,666	8,329,271	+172,605	+2.1%
Investment	255,700	268,000	+12,300	+4.8%
Other Income	1,056,196	1,076,196	+20,000	+1.9%
Transfer From Equipment Reserve	427,288	276,102	-151,186	-35.4%
Transfer From Contig & Stab. Reserve	0	0	0	0
Totals	9,895,850	9,949,569	+53,719	+0.5%

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	FY 2016-17	Available	To Reserve Funds
Service Charges	8,329,271	8,329,271	
Investment	268,000	42,872	225,128
Other Income	1,076,196	675,600	400,596
Transfer From Equipment Reserve	276,102	276,102	
Transfer From Contig & Stab. Reserve	0	0	
Totals	9,949,569	9,323,845	625,724

Expense/Funding Balance

Proposed Expense and Transfer Total	\$9,323,845
Proposed Available Funding Total	\$9,323,845

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 Replacement Reserve
- ❖ Treatment Plant Expansion Reserve
- ❖ Collection System Replacement Reserve
- ❖ Equipment Replacement
- ❖ Vehicle Replacement
- ❖ Building Reserve
- ❖ Collection System Local Capacity Reserve
- ❖ Collection System Trunk Capacity Reserve
- ❖ Contingency & Stabilization Fund

****The red print identifies the reserves that are not discretionary. All of the other reserves have been established by Board action and are eligible to be modified or eliminated at the Board's discretion.**

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.

Summary of Reserve Balances

The following chart shows the balance in each Reserve as of a specific date and the annual contribution budgeted for this fiscal year.

The Reserves shown in Purple are increased by the annual contributions established in the budget each year and interest.

The Reserves in Red are increased by the fees collected from customers for rights to capacity in the collection & treatment facilities and interest.

The Reserve shown in Black is increased only by interest.

The Contingency & Stabilization Reserve shown in Green is increased by interest and any budget surplus identified during the budget reconciliation performed in October each year for the preceding fiscal year.

Interest received on the District's invested funds is appropriated proportionally to each of the Reserves as it is received.

<u>Reserve</u>	<u>Balance as of February 28, 2015</u>	<u>2016/2017 Budgeted Contribution</u>
Treatment Plant Replacement	\$6,837,274	\$630,000
Treatment Plant Expansion (1)	\$1,597,435	\$0
Collection System Replacement	\$ 822,509	\$1,270,526
Equipment Replacement	\$1,297,011	\$562,554
Vehicle Replacement	\$ 216,432	\$75,458
Building Replacement	\$ 70,594	\$20,874
Collection System Local Capacity (1)	\$ 914,461	0
Collection System Trunk Capacity (1)	\$ 66,915	0
Contingency & Stabilization	\$1,635,509	0
TOTAL	\$13,458,140	\$2,559,412

Notes:

(1) – Funded by new connection/capacity charges.

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.

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 fourth payment will be made this year in the amount of \$500,000.

Proposed Projects

Proposed projects to be funded from this reserve are:

• Aeration VFDs	\$700,000
• TMDL Design & Alternatives Analysis	<u>\$500,000</u>
Total	\$1,200,000

Transfer Amount

A transfer amount of \$630,000 from the General Fund is scheduled to be deposited into this reserve for this fiscal year.

Reserve Cash Flow Estimate

The projected cash flow for the reserve is as follows:

Estimated Balance on Hand @ July 1, 2016	\$8,504,722
+ Proposed Transfer Amount	+630,000
+ Sixth Pmt. On Loan to SRF Pay-Off	+500,000
+ Predicted Investment Earnings during Fiscal Year	+105,600
- Proposed Expenditures	-1,200,000

= Projected End of Year Reserve Balance	\$8,540,322

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, 2016.....	\$1,754,665
+ Predicted Income from 25 New Connections.....	+128,505
+ Predicted Investment Earnings during Fiscal Year	+23,000

= Projected End of Year Reserve Balance.....	\$1,906,170

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.

Transfer Amount

A transfer amount of \$1,270,526 from the General Fund is scheduled to be deposited into this reserve for this fiscal year.

Proposed Projects

Proposed Projects to be funded from this reserve are:

• Mainline Lining (I&I Reduction)	\$600,000
• Trunkline Lining (I&I Reduction)	400,000
• Mainline Wye Top-Hat or Rehab.	<u>300,000</u>
Total	\$1,300,000

Reserve Cash Flow Estimate

The projected cash flow for the reserve is as follows:

Estimated Balance on Hand @ July 1, 2016.....	\$883,591
+ Proposed Transfer from General Fund	+1,270,526
+ Predicted Investment Earnings During Fiscal Year	+10,100
- Proposed Expenditures	-1,300,000

= Projected End of Year Reserve Balance.....	\$864,217

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 from the General Fund is scheduled to be deposited into this reserve for this fiscal year.

Information Technology Equipment Replacements/Upgrades

Based on the Technological Equipment replacement schedule adopted by the Board, the computer equipment and software scheduled for replacement/upgrade his fiscal year is valued at \$276,102. Funds to cover the purchase of these replacements/upgrades will be transferred into the Operations Budget (account 5410.03 – Office Supplies & Equipment) along with the adoption of this budget. These replacement items will be purchased out of the Operations Budget in the normal course of business during the fiscal year. The transfer scheduled for this fiscal year into Account 5410.03 is \$276,102.

Equipment Replacements/Upgrades

Scheduled equipment replacements for the Collection System and the Treatment Plant will be funded from this reserve.

The proposed upgrade involves the expansion of the SCADA computer technology rack facilities; the estimated cost of this upgrade is \$150,000.

Proposed replacements/upgrades 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, 2016.....	\$1,595,704
+ Proposed Transfer from General Fund	+562,554
+ Predicted Investment Earnings during Fiscal Year	+17,628
- Scheduled IT Equipment Replaces during Fiscal Year	-276,102
- Proposed Expenditures	-150,000
.....	-----
= Projected End of Year Reserve Balance.....	\$1,749,784

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 Vehicle Replacement Reserve covers the replacement of the District's fleet of licensed motor vehicles. This reserve was initially established in 2002.

Our current plan for replacing vehicles is a schedule based three factors: historical mileage; use & maintenance records. All three of these factors are considered during staff's annual evaluation of the District's vehicle needs for the coming fiscal year.

Proposed Fleet Replacements

There are no replacements proposed for this fiscal year.

Transfer Amount

A transfer amount of \$75,458 from the General Fund is scheduled to be deposited into this reserve for this fiscal year.

Reserve Cash Flow Estimate

The projected cash flow for the reserve is as follows:

Estimated Balance on Hand @ July 1, 2015.....	\$98,310
+ Proposed Transfer From General Fund.....	+75,458
+ Predicted Investment Earnings during Fiscal Year	+3,000
- Proposed replacements.....	-\$0
-	-----
= Projected End of Year Reserve Balance.....	\$176,768

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 from the General Fund is scheduled to be deposited into this reserve for this year.

Reserve Cash Flow Estimate

The projected cash flow for the reserve is as follows:

Estimated Balance on Hand @ July 1, 2016.....	\$3,097
+ Proposed Transfer From General Fund.....	+20,874
+ Predicted Investment Earnings during Fiscal Year	+950
-	-----
= Projected End of Year Reserve Balance.....	\$24,921

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; in 2007 the Board redefined the designed use of this Reserve to be used for capacity issues in the Collection System. On July 1, 2010 this Reserve was officially named the Collection System Local Capacity Reserve.

This Reserve receives all Collection System Local Capacity charges when a property owner connects to the sewer. The designated use of this Reserve is for capacity issues in the Local 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, 2016.....	\$1,128,214
+ Predicted Transfer of Charges From New Customers	+197,930
+ Predicted Investment Earnings during Fiscal Year	+12,454

= Projected End of Year Reserve Balance.....	\$1,338,598

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, 2016.....	\$142,260
+ Predicted Charges From New Customers	+74,161
+ Predicted Investment Earnings during Fiscal Year	+ 950

= Projected End of Year Reserve Balance.....	\$217,371

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

The reserve is 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. Some years this fund has also provided a contribution to offset rate increases during the budgeting cycle.

Reserve Cash Flow Estimate

The projected cash flow for the reserve is as follows:

Estimated Balance on Hand @ July 1, 2016.....	\$1,667,234
+ Predicted Investment Earnings during Fiscal Year	+26,246
+ Proposed transfer.....	0

= Projected End of Year Reserve Balance.....	\$1,693,480

SECTION 3
Debt Service Budget

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>
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	\$2,915,000.00	\$613,350.03	\$3,528,350.02

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.

Staff conducted an evaluation of the balance in the 2003 Debt Issue Payment Reserve and established a schedule to utilize the funds in this account to lower the amount required to be collected through the service charge increment over the last eleven years of this debt issue.

The amount to be collected through the service charge increment for fiscal year 2014-2015 is \$350,000. The service charge increment is charged for each Capacity Unit allocated to a parcel.

One-half or \$175,000 is to be raised each from inside and outside the Ojai City limits.

The annual increments for FY 2014-15 are calculated as follows:

Inside Ojai City Limits:

$$\frac{\$175,000/\text{year}}{4,323 \text{ ERUs times } 12 \text{ months / year}} = \$3.37/\text{month / CU}$$

The debt service charge per CU inside the Ojai City Limits remains at the same level as the prior fiscal year.

Outside Ojai City Limits:

$$\frac{\$175,000 / \text{year}}{7,696 \text{ ERUs times } 12 \text{ months / year}} = \$1.89/\text{month / CU}$$

The debt service charge per CU outside the Ojai City Limits remains at the same level as the prior fiscal year.

Cash Flow Estimate

The projected cash flow for the reserve is as follows:

Estimated Balance on Hand @ July 1, 2016.....	\$771,084
- Scheduled Debt Service Payment September 1, 2016	-442,544
+ Proposed Amount Raised From Service Charge –	+350,000
+ Predicted Investment Earnings during Fiscal Year	+12,000

= Projected End of Year Reserve Balance.....	\$690,540

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>
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	\$6,130,000.00	\$3,527,832.62	\$9,657,832.62

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, 2016.....	\$1,131,590
- Scheduled Debt Service Payment FY 2016/17	-437,988
+ Proposed Transfer from General Fund	+394,189
+ Predicted Investment Earnings during Fiscal Year	13,200

Projected End of Year Reserve Balance	\$1,100,991