
June 11, 2009

Board of Directors
Ventura Regional Sanitation District
Ventura, California

FISCAL YEAR 2010 BUDGET – EXECUTIVE SUMMARY

This document represents the FY 2010 Proposed Budget for the Ventura Regional Sanitation District (District). The budget is the District's financial work plan and serves as the spending plan supported by revenues for the upcoming fiscal year. The FY 2010 Budget includes the operating budget and capital improvement projects. It has been prepared to meet the needs of the District while at the same time complying with the District's mission, goals and objectives, and financial policies.

The District's Operating Budget and Capital Improvement Program Budget are adaptable documents and may change based on unforeseen and/or unanticipated events during the fiscal year by Board of Directors approval.

Prior to the commencement of the budget process, the Board of Directors and staff engage in a Goals & Objectives Setting Study Session. The Goals & Objectives for the current year were reviewed and an update as to their progress was provided. In addition, Goals & Objectives were identified, discussed, and established for the upcoming fiscal year.

Concerns remain in the national economic slowdown and rising commodity costs coupled with the State of California budget challenges that have trickle down effects to the local economy and the District. The District continues to operate with fiscally prudent policies and looking for ways to reduce costs will be a priority throughout the year.

This executive summary discussion includes the Budget Highlights, Budget Comparison, Division Highlights, Other Projects & Programs, and Goals & Objectives.

BUDGET HIGHLIGHTS

- District staff reduced the FY2010 Proposed Budget net deficit by approximately \$745,000;
- The revised FY2010 Proposed Budget has a net deficit of \$1.1 million dollars;
- Total annual tonnage is expected to decrease at the Toland Road landfill;
- First year of operation for the VRSD Biosolids Facility;

-
- Microturbine electrical generation the at the Toland Road landfill; and
 - Completion of Water & Wastewater Division buildings at the Bailard landfill site.

BUDGET COMPARISON

The budget has a net deficit of \$1,133,600. This includes the operating revenue, operating expenses, and non-operating revenue and expenses. There are major factors contributing to the net deficit. The total annual tonnage received at the Toland Road landfill is expected to decrease due to the current economic condition. The District is expecting an estimated \$1.1 million loss in revenue compared to the FY 2009 adopted budget. In addition, although the Biosolids Drying Facility is expected to be in operation, it will experience net losses for the next five to eight years before it breaks even. Finally, the District recently replaced the current MS-Govern financial software and will be removing the asset from the District's financials by expensing the item.

Operating Revenues

The operating revenues increased by \$1,502,200 or 7% compared to the FY2009 adopted budget. This is mainly due to the landfill gas treatment and conveyance facility of anticipated additional revenue (\$437,000). In addition, contract services estimated revenue increased (\$520,900) due to a one time additional increases in the various Water & Wastewater service contracts. Finally, the Biosolids Facility is anticipated to be operational for the first time and will bring in additional revenue estimated at \$1,534,300. The Biosolids Facility was originally estimated to start operation in December 2008 but was delayed by six months. These increases in revenue are also decreased by the anticipated decrease in tonnage received at the Toland Road landfill (\$1,145,000) and decrease in the City of Oxnard contract services with Solid Waste (\$313,900).

Operating Expenses

The operating expenses increased by \$2,115,500 or 9% compared to the FY2009 adopted budget. There are three expense line items that are contributing to the increase. They are the Salaries & Employee Benefits, contract services, facility maintenance and depreciation.

Salaries & Employee Benefits: The increase of \$138,800 or 2% is mainly for merit increases, medical and unemployment insurance.

Contract Services: The increase of \$1,113,300 is attributed to the Microturbine Systems Project (\$115,000), maintenance work at the Bailard landfill (\$105,000), City of Oxnard Santa Clara Landfill Gas Collection System improvements (\$240,000), Triunfo Sanitation District various contract services (\$511,200) and Biosolids maintenance (\$348,400).

Facility Maintenance: The increase of \$762,900 is mainly due to major maintenance scheduled for the District's heavy equipment (\$201,500) and the Biosolids (\$505,200).

Depreciation: The increase of \$1,144,600 is mainly due to the additional capital equipment, software, vehicles, and heavy equipment being depreciated. This is also the first year depreciation of the Biosolids Facility (\$698,000).

Non-Operating Revenues & Expenses

Net non-operating revenues have decreased by \$645,900 compared to the FY2009 adopted budget. This mainly due to the replacement of the District's MS-Govern Financial Package and removal of the asset (\$523,600) and increase in interest cost for the additional Biosolids and Microturbine loan (\$375,300).

Capital Projects

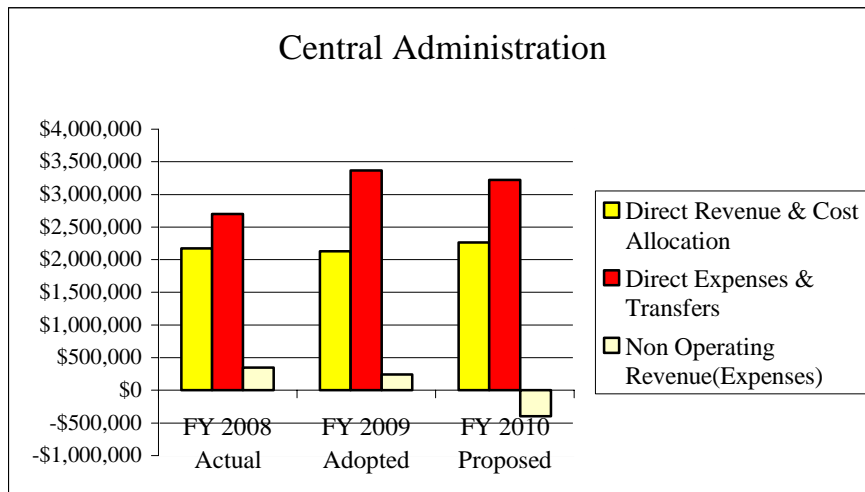
The capital project spending is not compared to the current fiscal year budget. Capital projects are usually multi-year processes and the expenses are determined by what phase the project is in. The capital spending detail in FY2010 is included in the appropriate sections of the budget. The capital expenditure summary includes the biosolids drying project, microturbines at the Toland Road landfill, and buildings for Water & Wastewater Division employees at the Bailard landfill, and internal service fund equipment purchases.

TABLE 1					
	Actual FY 2007 Yearend	Actual FY 2008 Yearend	Adopted FY 2009 Budget	Estimated FY 2009 Yearend	Proposed FY 2010 Budget
OPERATING REVENUES					
Disposal and sanitation fees	\$ 9,212,400	\$ 9,259,545	\$ 11,620,420	\$ 9,698,835	\$ 11,043,768
Contract services	5,509,207	5,836,937	8,005,850	5,340,230	9,745,725
Other revenue	176,428	181,721	331,748	252,491	670,748
TOTAL OPERATING REVENUES	14,898,035	15,278,204	19,958,018	15,291,555	21,460,241
OPERATING EXPENSES					
Salaries, benefits, and contract labor	6,747,170	7,371,193	8,289,544	7,510,338	8,428,305
Management & administrative	533,353	267,222	532,306	574,348	425,984
Operating materials & supplies	1,216,580	1,536,604	2,301,020	1,223,715	1,592,578
Contract services	1,909,442	2,251,577	2,901,039	1,745,465	4,014,297
Professional services	710,592	623,528	921,919	556,671	921,024
Facility maintenance	976,682	940,267	1,142,986	796,289	1,905,914
Provision for landfill closure/postclosure	(2,581,131)	186,597	1,368,000	1,280,448	1,351,584
Permits, licenses and fees	1,010,711	1,099,084	1,307,101	897,613	1,095,120
Depreciation	1,530,789	2,092,335	2,378,482	2,280,589	3,523,066
TOTAL OPERATING EXPENSES	12,054,189	16,368,406	21,142,397	16,865,476	23,257,872
OPERATING INCOME/(LOSS)	2,843,846	(1,090,202)	(1,184,379)	(1,573,921)	(1,797,631)
NON-OPERATING REVENUES (EXPENSES)					
Interest/Investment earnings	2,171,432	2,686,226	1,670,784	2,177,240	2,281,159
Gain(Loss) on sales/disp of capital assets	26,600	43,496	-	803	(523,568)
Debt service	(182,033)	(499,330)	(708,723)	(440,045)	(1,225,240)
Other, net	465,518	284,642	347,883	324,510	131,684
TOTAL NON-OPERATING REVENUES(EXPENSES)	2,481,517	2,515,034	1,309,944	2,062,507	664,035
NET REV(EXP) BEFORE INTERFUND TRANSFERS	\$ 5,325,363	\$ 1,424,831	\$ 125,565	\$ 488,586	\$ (1,133,596)
ISF transfers, net	1,074	5,259	45,422	(25,637)	-
Central admin expense allocation	-	-	(45,272)	-	-
NET REV(EXP) BEFORE CAPITAL PROJECTS	\$ 5,326,437	\$ 1,430,090	\$ 125,715	\$ 462,948	\$ (1,133,596)
Current FY Capital Projects	-	3,593	16,388,642	12,268,355	6,346,466
NET SURPLUS/(DEFICIT) AVAILABLE	\$ 5,326,437	\$ 1,426,497	\$ (16,262,927)	\$ (11,805,407)	\$ (7,480,062)

DIVISION HIGHLIGHTS

CENTRAL ADMINISTRATION

Central Administration is comprised of Administrative Services, Finance, Human Resources, Risk Management, and Information Technology. Although it is primarily funded through cost allocation, direct revenue of \$13,900 is received through finance contracting with Ventura County Regional Energy Alliance. A decrease of approximately \$150,300 (5%) in expenses is included in the budget.



As seen on the graph, Central Administration revenue and expenses are relatively stable. The FY2010 downward or negative total of the non-operating revenue/expenses is for replacing the MS-Govern financial package and writing off the asset.

Personnel Changes

There is an increase of 1.25, which consist of a limited term Software Conversion Analyst and an increase in hours for the Management Analyst for an additional .25.

Succession Planning

The Board discussed employee retention and succession planning activities in June 2006 and adopted, in concept, a phased pay and benefits plan. The plan included the following: Phase 1 – Adding a retirement COLA; Phase 2 – District payment of employee retirement contributions; Phase 3 – Compensation Study/Adjustments; and Phase 4 – Compensation adjustment to top quarter of competing agencies.

Implementation of the different components of the phased plan is based on available funding. Phase 3 implementation is subject to continued review and evaluation and will continue in FY 2010. The Board of Directors directed staff to delay the completion of Phase 3 and directed staff to come back in September to review the District's budget and available funding. The retirement COLA, and District's pick up of employee retirement contributions have been implemented.

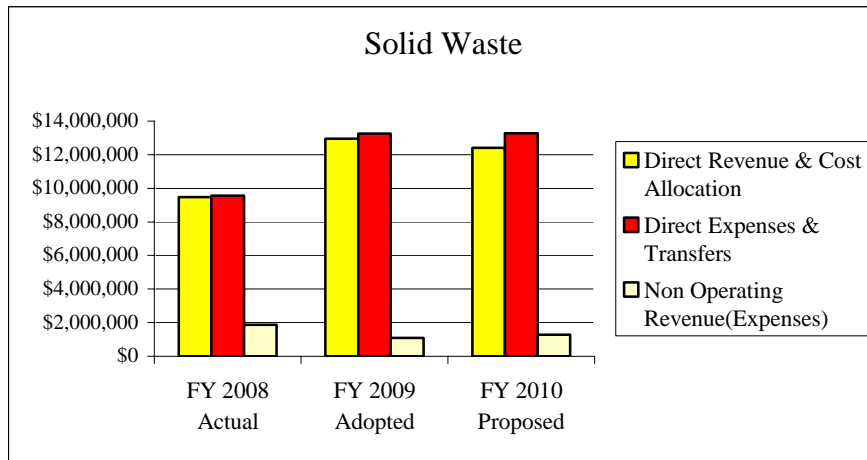
Capital Spending/Projects

Central Administration capital project for FY2010 includes the MS-GP financial software ongoing conversion.

SOLID WASTE DIVISION

Solid Waste Division is responsible for the administration of the Toland Road landfill; postclosure maintenance of the Bailard, Coastal, and Ozena landfills; support for outside contract services for the Tierra Rejada landfill consortium; Oxnard/Coastal Golf Course development; and alternative energy projects. Efforts are continuing to increase disposal revenue by maximizing the available daily tonnage capacity at the Toland Road landfill.

Toland Road Landfill is expected to experience a reduction in revenue due to the decreased annual tonnage that is driven by the overall economic slowdown. The approved tipping fee increase effective July 1, 2009 will offset some of the revenue lost that will be experienced with FY2010.



Capital Spending/Projects

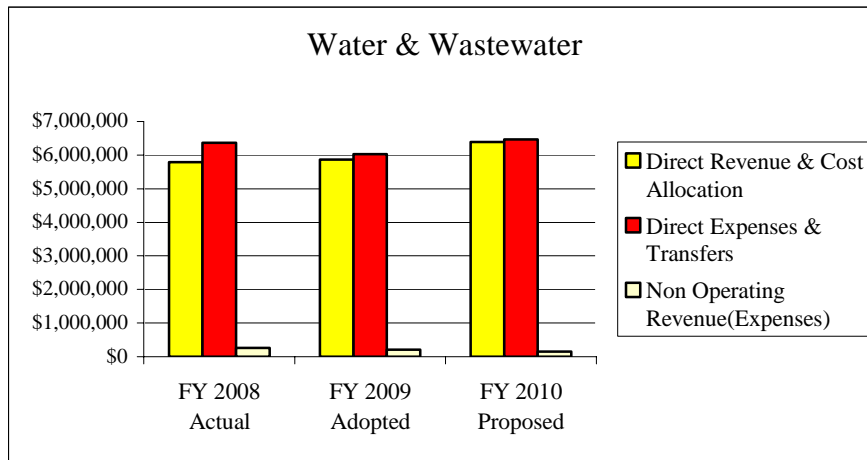
Solid Waste Division capital projects for FY2009 include the Toland Road Landfill Phase IIIB Liner, site improvements and Millennium Grove Phase II. Additional capital projects include Toland Road landfill gas monitoring wells, site security, scalehouse and scale replacement, and landfill gas treatment skid. For a more detailed listing, please see the attached list.

Personnel Changes

There are no personnel changes included in the FY2010 Solid Waste Budget.

WATER & WASTEWATER DIVISION

Water & Wastewater Division is concentrated on providing services to member agencies and other customers through various service contracts. The main concern during the budget process is to have service contracts in place to account for the billable hours. Any reimbursable hours not accounted for are placed in a pool and as new projects emerge the hours in the pool are transferred to the new project.



Direct revenue seems stable for the Water & Wastewater Division.

Reimbursable Contracts

There is a direct correlation between the contract services revenue and expense. The contract services revenue is increasing by \$520,900 while the contract expense is increasing by \$530,900, respectively.

Capital Spending/Projects

Water & Wastewater Division capital projects for FY2009 include two modular buildings to be placed at the Bailard landfill location.

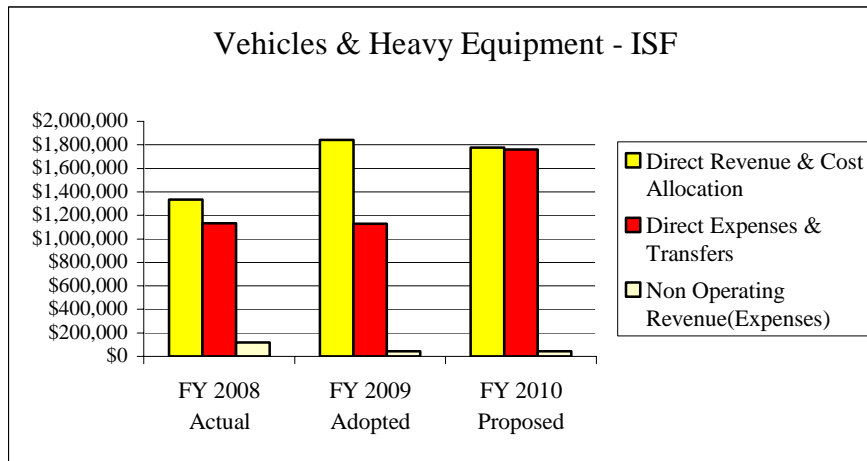
Personnel Changes

One Senior Engineer allocation is being deleted by mid August and one Water/Wastewater Operator 1 is being deleted. In addition, one Management Analyst is being converted to a Water/Wastewater Technical Services Supervisor by title only.

OTHER PROGRAMS & PROJECTS

VEHICLES & HEAVY EQUIPMENT - ISF

The vehicles and heavy equipment program is an internal service fund (ISF). It is funded through internal transfers within the District. The divisions are charged a monthly rental fee for the vehicles and heavy equipment assigned to them. The rental fee includes labor, maintenance, fuel, parts, and depreciation. Depreciation funds are set aside to replace existing vehicles and heavy equipment when necessary.



Capital Spending/Projects

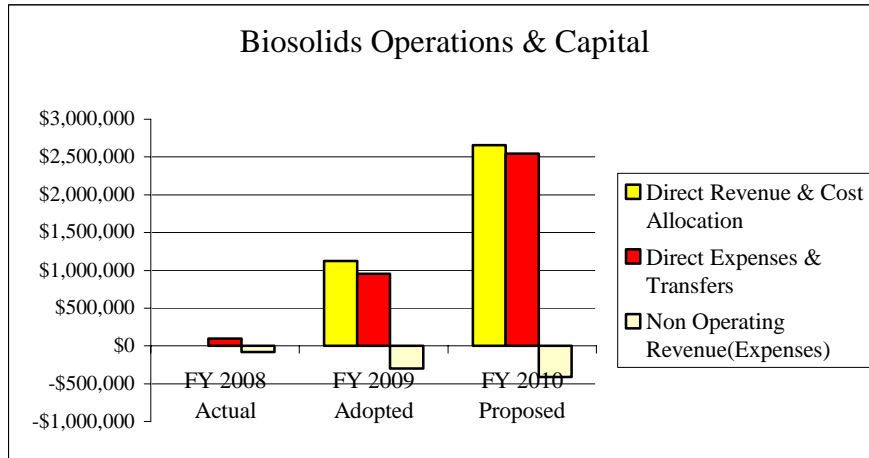
The capital purchases for FY2010 for the vehicles and heavy equipment ISF program include the purchase of six trucks, one dozer, three biosolids trailers, one pressure washer, and shop improvements.

Personnel Changes

There are no personnel changes included in the FY2010 Vehicles & Heavy Equipment ISF program.

BIOSOLIDS PROJECT

This project is a significant capital and operational addition to the budget that began in FY2008. The Ventura County Board of Supervisors approved the operation of two biosolids dryers in FY2008. It is anticipated that the facility will be in operation FY2010. The biosolids project is a stand-alone project and has its own section in the FY2010 budget.



Direct revenues are based on drying all of City of Thousand Oaks WWTP and City of Oxnard WWTP biosolids at a gate rate of \$52 per ton and City of Ventura at a gate rate of \$51 per ton.

Capital Spending/Projects

The capital purchases for FY2010 include SCADA integration, ammonia removal system, security and other items. In addition, the PUC SGIP rebate is anticipated at \$975,000 to help offset some of the costs associated with the project.

Personnel Changes

There are no personnel changes included in the FY2010 Biosolids project.

FISCAL YEAR 2010 GOALS & OBJECTIVES

In February 2009, the District Board conducted a Goals Setting Session with the assistance of Ed McCombs as the facilitator. In April 2009, District Board adopted the District's FY2009/10 Goals & Objectives.

RECLAIMED WATER. Provide an assessment of potential opportunities for District involvement.

BIOSOLIDS FACILITY. Evaluate uses of biosolids facility end product. Understand that use of dried biosolids will require changes in public perception and regulatory approvals.

FUTURE OF SOLID WASTE DISPOSAL. Maintain a publicly owned and operated solid waste disposal system. Participate in prescribed solid waste facilities needs reviews. Communicate District capabilities to provide service in this area. Look at future options including existing facilities and new technologies including waste-to-energy projects. Evaluate the assets and energy requirements within Ventura County and determine need for facilities and energy related services. Determine how needs relate to District facilities and programs.

NEW SERVICES. Expand contract services and business opportunities (i.e.TMDL, stormwater monitoring, etc...). Look at potential opportunities in/out of county. Stay current with regulatory changes. Include in budget the investigation of opportunities at Navy base. Develop portfolio of external services.

PUBLIC IMAGE. Include funding for outreach and public information efforts in FY 2009-10 budget. Municipal outreach program will include: periodic newsletter; "menu" of services; develop portfolio of services for expos and fairs; council presentations; increasing visibility with member agencies; develop portfolio of external services. Involvement with local chambers and other organizations.

Mission & Vision Statements. Revise and develop statements to reflect current activities and priorities.

VRSD FACILITY. Evaluate opportunities and needs for a "one roof" concept (including complimentary agencies). Home for all District operations including operations and administration. Bring to Facilities Committee for review and deliberation. Staff will develop list of compatible agencies and current lease details.

SUCCESSION PLANNING. Implement an organizational evaluation of District's ability to provide existing and proposed services. Evaluate staffing allocations and adequacy, and organizational development. Investigate participation in VCEDA Leadership Academy or similar.

JPA/CONSULTING. Perform information gathering and study session for the investigation of potential JPA and consulting opportunities. Evaluate other service provision options including consulting services. Evaluate liability and risk management issues of different options.

FINANCIAL PLANNING. Long-term financial planning (five years) including debt management.

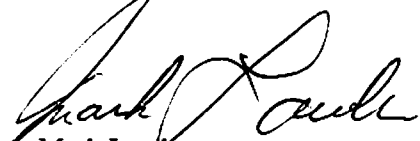
SUMMARY

It is anticipated that the Ventura Regional Sanitation District will remain in good financial condition throughout the next fiscal year. The District has been committed to establishing and maintaining good fiscal health and will continue to look at different alternatives in cutting costs and generating revenue.

The budget is the result of the dedication and thoughtful consideration of your staff of the resources needed to accomplish the District's Goals & Objectives, quality of service, and stewardship of District funds.

I look forward to working with your Board, our member agencies, and partners during the coming year.

Respectfully Submitted,



Mark Lawler
General Manager